

Follow-Up
Materials



06013883

82- SUBMISSIONS FACING SHEET

MICROFICHE CONTROL LABEL



REGISTRANT'S NAME

Autism Mining

*CURRENT ADDRESS

**FORMER NAME

PROCESSED

**NEW ADDRESS

JUN 01 2006

THOMSON
FINANCIAL

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FISCAL YEAR

12-31-05

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PETER HAMBRO MINING

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CORPORATE FINANCE

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ANNUAL REPORT AND ACCOUNTS 2005 MINING FOR SUCCESS

this report Peter Hambro Mining PLC is referred to as PHM, the Company and the Group.

•MMC PHM is a Moscow-based company involved in the operations and development of PHM assets and has no material ownership of any Group assets.

YAMALANENETSKY AUTONOMOUS REGION

- > YamalZoloto
- 100% OWNERSHIP
- > Novogodnee Monto deposit
- > Petropavloskoye deposit
- > Yamalskaya Gornaya
- Kompania assets

The Magadan Region is Russia's most important gold mining territory; there are nearly 2,000 placer gold deposits and 100 gold ore deposits in the area. Since the 1930s over 80 million ounces have been produced from alluvial and hard-rock mines. Due to the prevalence of the mining industry, the region's infrastructure is well established, with good all-weather roads and a readily available electricity supply predominantly from the Kolyma River hydro-electrical station.

The oil and gas industry is the leading economic sector of the Yamalo-Nenets Autonomous Region, and therefore there is a well developed local infrastructure which benefits our mining operations. YamalZoloto's main assets are well located near to the regional capital of Salekhard on the Ob River. The area borders the Komi Republic, the Khanty-Mansi Autonomous Region and the Taimyr Autonomous Region.

Buryatiya Region

> Exploration stage company

PETER HAMBRO MINING PLC
IS A GOLD PRODUCER, TRADED
ON LONDON'S ALTERNATIVE
INVESTMENT MARKET (AIM)
AND FOCUSED ON THE MINING
INDUSTRY IN RUSSIA

OPERATIONAL AND FINANCIAL HIGHLIGHTS

+19%

Group attributable production increased by 19% to 249,000, including an increase at Pokrovskiy of 21%

100 million

Significant Group reserves and resources increase to a total of 100 million ounces

17%

Cash operating costs increase contained at 17% despite general increases in all external input costs

+20%

Shareholders' funds increased by 20%

+US\$1 billion

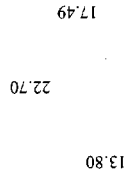
Conservative forecast value of four key assets at a US\$ 450/oz gold price generates in excess of US\$1 billion net present value

Company development of in-house expertise to deliver million ounce target, including creation of what is believed to be the largest private laboratory capacity in Russia

Turnover
(inc. share of joint ventures US\$ '000)



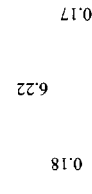
Operating profit
(US\$ '000)



Retained profit for the year
(US\$ '000)



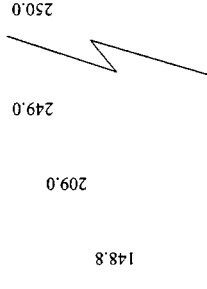
Earnings per ordinary share
(US\$)



Net assets
(US\$ '000)



Attributable production
('000 oz)



THE VIRTUOUS CYCLE OF VALUE CREATION

SUCCESSFUL CREATION
OF VALUE THROUGH THE
CYCLES OF EXPLORATION FOR, AND
DEVELOPMENT AND OPERATION
OF OLD MINING PROJECTS MAY
BE SEEN AS THE FOUR STAGES
OF THE VIRTUOUS CYCLE. PETER
BRO MINING'S OPERATIONS
OVER THE PAST ELEVEN YEARS
HAVE FORMED THE STAGES OF
THE VIRTUOUS CYCLE,
WHICH HAVE CREATED THE
ECONOMIC MASS AND ENERGY TO
SUSTAIN ITS CONTINUING FLOW

1. Initial generation

Projects in the form of exploration, development and production of mineral resources, creating assets combined with prudent financial and debt finance management is the key to successful growth. The Group has a balance of US\$1.45m and four primary projects from which the US\$450/oz gold price is a conservative forecast of a net present value of more than US\$1bn can be generated.

2. Assets & strategy

Combination of organic growth and development in Group projects with the acquisition of high quality assets, both supported by local expertise and advantageous infrastructure. The creation of a balanced and fluid resources portfolio pyramid (see page 15), with an extensive exploration portfolio supporting the most advanced four assets which generate the more immediate production target.

3. Efficiency & production

Production, using advanced and well proven technologies on a strong asset base, supports a position of cost strength and margin expansion. Exploiting the excellent infrastructure available at site, including valuable power and transport networks.

4. Strong management

The most valuable asset within the portfolio. Proven track record of delivery on construction and production targets on time and on budget. Constant programme of development and expansion through training and recruitment alongside human resources policies designed to incentivise and maintain key managers.

260 specialists

PETER HAMBRO MINING NOW
HAS 260 SPECIALISTS WORKING
WITHIN THE GEOLOGICAL
DEPARTMENT

Exploration

ACHIEVING VALUE ESCALATION
BY ENHANCING AND EXPANDING
THE ASSET PORTFOLIO

Reserves and resources('000 oz)

Reserves	70,551
Resources	93,240

7,476	9,033	21%	Increase in reserves
04	05	32%	Increase in resources

INCREASING VALUE THROUGH
EFFICIENT EXCAVATION OF
WASTE

Advanced stripping at the Pokrovskiy deposit
for efficient excavation and development laboratory
at Pokrovskiy
Construction work on the expansion of the
Pokrovskiy mill

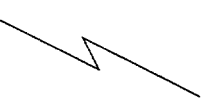
5.2million m³

MATERIAL MOVED AT
POKROVSKIY MINE IN 2005

THE EFFICIENT OPERATION
OF A LARGE MINE REQUIRES A
CONSTANT BALANCE BETWEEN
THE MINING OF ORE AND WASTE.
BLOCK MODELLING OF THE PIT
SHELL AND GPS MONITORING OF
ALL TRUCKS

Materials moved (million m³)

37.87



06

90%

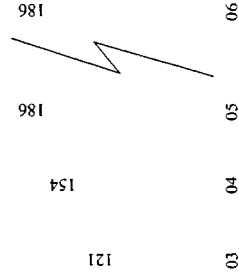
AVERAGE RECOVERY RATE EXPECTED
AT PETER HAMBRO MINING'S
EXPANSION PROGRAMME PLANTS

Production

ACHIEVING SUCCESS
THROUGH DELIVERY ON
ALL PRODUCTION TARGETS

1. Mining operations continuing through the night at Pokrovskiy
2. Operations centre within Pokrovskiy mill
3. Grinding circuit at Pokrovskiy mill

Pokrovskiy mine gold production ('000 oz)



CHAIRMAN'S STATEMENT

No.1

Number one non-state employer, gold and GDP producer in the Amur region

£1bn

The Company now has over £1bn market capitalisation

1,000,000oz

The Company is on track to hit 1,000,000oz production target in 2009

2005 was the year in which the first steps of the Group's major expansion were taken. Total attributable gold production increased by nearly a fifth with Pokrovskiy production up by 21% and contributions from new assets making up 6% of the total. The average price received for gold during 2005 was US\$442/oz, a 10% increase on that achieved in 2004. The market price today is more than US\$700/oz.

While enjoying another excellent year from a production growth and turnover point of view, the increases in the quality and quantity of the Group's reserve and resource base form a sound foundation from which to achieve its ambitious growth objectives.

Inflationary pressures on our input costs and accounting for development costs on the new projects have resulted in somewhat lower earnings per share than we had hoped for.

The proceeds from our US\$140m convertible bond issue and the cash flow from sales of higher priced gold have increased confidence in the Group's ability to finance its 2009 production target.

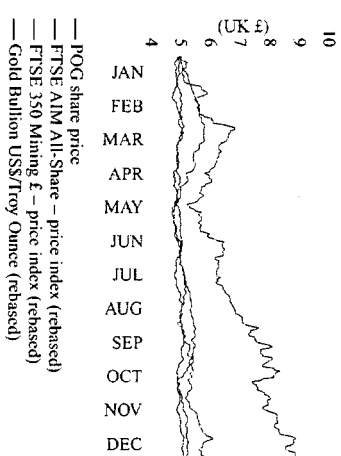
With a forecast production of 250,000 ounces in 2006 we are now approximately a quarter of the way towards delivering our million ounce target in 2009. Our estimates of the economics of this plan, which were discussed in the Group's analysts' workshop in January 2006, remain substantially unchanged.

Competition for mining assets – both geological and human – in Russia and particularly in Eastern Siberia has intensified. On the one hand, Russian and Western mining companies have come to understand the potential in this area that PHM identified more than a dozen years ago and, on the other, the international mining community is becoming less wary of doing business in Russia. The new enthusiasm for the area means that the Group's policy of acquiring early stage development assets has been strongly validated. Our resource planning is well advanced, particularly in respect of human resources, and development of in-house expertise as evidenced by our substantial laboratory capacity and construction and engineering teams.

In order to aid our shareholders' understanding of the Group's business we have set this year's annual report on a theme of the Virtuous Cycle that we believe has helped create the Group. I hope that this goes some way towards demonstrating the rational approach that we take to increasing the value of the Company.

In spite of the cost pressures – and particularly with worldwide gold prices becoming increasingly strong – I believe that we can look forward to a successful future.

Share price performance 2004-2005



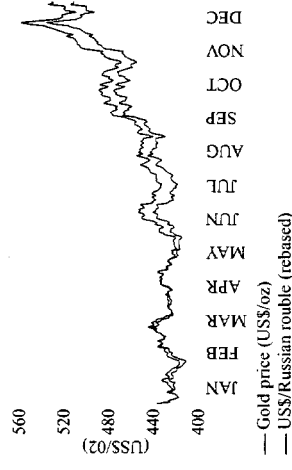
PETER HAMBRO WAS A BANKER AND THEN DEPUTY MANAGING DIRECTOR OF VIRTUOUS CYCLE MINING LTD. HE WAS RESPONSIBLE FOR WORLDWIDE MARKETING OF ITS PRECIOUS METAL DEALING, BANKING AND INVESTMENT SERVICES. IN 1990 HE FOUNDED PETER HAMBRO PLC AND MOVED THE COMPANY TO ITS PRESENT HOME IN LONDON.

PETER HAMBRO HAS BEEN EXECUTIVE CHAIRMAN SINCE THE GROUP'S FOUNDED IN 1994.

PETER HAMBRO

DEPUTY CHAIRMAN'S STATEMENT

Gold price and rouble exchange rates 2004-2005



In addition to this, the exploration work on Novogodnee Monto and other deposits on our licence area in the Yamal region has progressed well and it is gratifying to note that SRK, in its report to the Board, shares our enthusiasm for the new Yamal licence areas when it says that the two licences will in due course confirm the existence of ore grade mineralisation with indications of a resource in excess of 5 million ounces of gold.

The expansion programme required new investment in training and manning for the development of Malomir, as well as at Pioneer and Pokrovskiy flanks. Repairs and refurbishment of equipment generally destined for the new projects was also a major expense item. Some of these expenditures, largely because they were not specifically identifiable for a particular project, have been charged as operating expenditure this year – contributing to a short-term downturn in earnings per share.

In 2006 we continue the demanding expansion of operations, teams and assets with which to achieve our aggressive growth programme and I remain confident that this is on track.

Operations at Pokrovskiy remain the Group's key source of profit and cashflow. Operating costs have suffered mainly due to external inflationary pressures but we are addressing these costs in direct and substantial measures to redress the recent increases.

19%
Increase in Group attributable gold production

US\$125/oz
GIS cash operating costs lowest in Russia

31%
Increase in Group reserves and resources

The Group's development and exploration activities in 2005 were concentrated on providing the understanding of the gold-in-the-ground necessary to meet our one million ounce per year production target for 2009.

Of particular note is the success of the process engineers with the fanglomerate resource at Pokrovka 2, which hitherto was considered as a less than 1.0g/t low-grade resource. This ore is within an entirely different type of deposit – effectively an ancient placer rather than a hard-rock deposit – made up of 10% quartz rock and 90% fine grain material, with the quartz hosting 70% of the gold. The proposed addition of a simple pre-washing technique would remove the finer matrix and increase the grade delivered to the mill to c.8.0g/t.

More generally we have acquired greater confidence in our P2 and P3 category resources that were predicted by both geochemical and geophysical methods. Drilling and trenching on targets identified by this method has validated many of these predictions. At Pioneer the geologists are developing a new structural interpretation of the deposit and this was recently re-asserted by the confirmation of a further high grade column previously identified by geochemical modelling – this one with average grades of over c.222.0g/t over c.8.5 metres.

At Malomir the previous estimates have been confirmed and enlarged by c.20% through exploration. A new ore zone was recently identified on the far side of the valley.

DR MASLOVSKY WAS A PROFESSOR OF PLASTICITY AT THE MOSCOW AIRCRAFT TECHNOLOGY INSTITUTE. IN 1991 HE EMBARKED ON A BUSINESS CAREER AND IN 1994 BECAME THE CHAIRMAN OF JSC POKROVSKIY RUDNIK.

DR PAVEL MASLOVSKY

- Group attributable production increased by 19% to 249,000, including Pokrovskiy increase of 21%
- Significant attributable production received from Amur region strategic assets
- Trial mining and processing of Pioneer ore proves effectiveness of mining methods and processing technology
- Continued expansion programme at Pokrovskiy mill
- Omchak JV contribution decreases with change in proportion owned by PHM

Andrei Luscheti
General Director –
Pokrovskiy mine
Mr Luscheti is a qualified geological engineer and lawyer. He worked at a number of geological research institutes specialising in the Russian Far East and subsequently became a Vice Governor of the Amur Region before joining the Group in April 2004 when he was appointed General Director.

	Total material moved (m ³ '000)	Ore mined (tonnes '000)	Ore processed (tonnes '000)	Total gold recovered (ounces '000)
1971	1,084	5	526	111
1972	1,084	5	526	111

Mining

Full production from both pits at Pokrovskiy involved the moving of 5.2 million cubic metres of material containing 1.4 million tonnes of ore. This represents an increase in material moved of 6% over 2004 whilst contained ore is increased

	2005
Pokrovskiy deposit	Units
Total material moved	5,248 '000 m ³
Including advanced stripping	1,180 '000 m ³
Ore mined	1,393 '000 t
Grade	3.6 w/w

Grade	g/t	4.7
Gold	'000 oz	135.7

- The increase in mining capacity is the result of an increase in the mining fleet, personnel and general operations. Equipment purchases included 5 new Belaz 45 tonne trucks, 2 large Caterpillar bulldozers and numerous smaller items. The entire truck fleet is now tracked and co-ordinated remotely which has improved both

Ore mined	1,526	'000 t
Grade	3.6	g/t

Mining operations in 2006 are planned to

- mining operations in 2006 are planned to continue at similar levels to the expanded operation in 2005. The 2006 mine foresees a similar grade profile from a blending of some newly uncovered high grade pockets with the more common lower grade ore.
- Applications have been made to the regional

increase in the planned pit shell in order to mine

- further areas of rich ore to the South West of Pokrovka I. Advanced stripping continues on the pit expansion areas.

	Total material moved (m ³ '000)					Ore mined (tonnes '000)					Ore processed (tonnes '000)					Total gold recovered (ounces '000)				
	02	03	04	05		02	03	04	05		02	03	04	05		02	03	04	05	
1997	3,463	3,831	4,768	6,084		1,375	1,053	1,088	1,526		846	1,366	1,785	2,111		70	1212	153.9	1,053	

Mining

Full production from both pits at Pokrovskiy involved the moving of 5.2 million cubic metres of material containing 1.4 million tonnes of ore. This represents an increase in material moved of 16% over 2004 whilst contained ore is increased by 33%. The grade of the ore moved was up by 6% on 2004 at 3.6g/t.

The increase in mining capacity is the result of an increase in the mining fleet, personnel and general operations. Equipment purchases included 5 new Belaz 45 tonne trucks, 2 large Caterpillar bulldozers and numerous smaller items. The entire truck fleet is now tracked and co-ordinated remotely which has improved both ore and waste transport logistics.

Mining operations in 2006 are planned to continue at similar levels to the expanded operation in 2005. The 2006 mine plan foresees a similar grade profile from a blending of some newly uncovered high grade pockets with the more common lower grade ore.

Applications have been made to the regional Ministry of Natural Resources to approve the increase in the planned pit shell in order to mine further areas of rich ore to the South West of Pokrovka I. Advanced stripping continues on the pit expansion areas.

Peter Hambro Mining schedule of mining operations

Pokrovskiy deposit	Units	2005
Total material moved	'000 m ³	5,248
Including advanced stripping	'000 m ³	1,180
Ore mined	'000 t	1,393
Grade	g/t	3.6
Gold	'000 oz	159.8
Including rich ore	'000 t	899
Grade	g/t	4.7
Gold	'000 oz	135.7
Pioneer deposit		
Total material moved	'000 m ³	836
Ore mined	'000 t	133
Grade	g/t	3.5
Gold	'000 oz	15
Total material		
Total material moved	'000 m ³	6,084
Ore mined	'000 t	1,526
Grade	g/t	3.6
Gold	'000 oz	174.8

ambro Mining schedule of processing operations

	Units	2005	2004
in Pokrovskiy pit	'000 t	899	637
	g/t	4.7	4.2
	'000 oz	136	90.6
in stockpiles	'000 t	444	454
	g/t	2.8	3.1
	'000 oz	39.4	45.5
ore (technological sample)	'000 t	53	38
	g/t	5.7	8.4
	'000 oz	9.7	10.1
allied	'000 t	1,397	1,165
	g/t	4.1	3.9
	'000 oz	184.9	146.2
recovery	%	91.50%	90.70%
recovered	'000 oz	169.2	132.7
each	'000 t	714	620
	g/t	1.5	1.8
	'000 oz	38	35.3
	%	48.90%	60.0%
Y	'000 oz	16.5	21.3
covered			
	'000 oz	185.7	153.9

Processing – RHP Plant

The Resin in Pulp plant (RHP) processed 20% more material in 2005 than in 2004, with grade up by 5% and consequently gold production up 27%. The third grinding circuit constructed in 2004 operated throughout the year at full design capacity. The capacity of the plant at year end was c.1.5mtpa. The construction of the required building space and equipment for the interim expansion plans to take capacity to c.2.2mtpa are well underway and are expected to be completed by August 2006.

Processing – Heap leach

The process of double stacking the heap leach was tested in 2004, and in 2005 showed good gold extraction results. Ore processed by the heap leach in 2004 showed a 60% recovery rate but was subsequently left on the pad where in 2005 a further 15% recovery of gold from this ore was achieved. Due to the Group's calendar reporting period, recovery is shown at 60% in 2004 but this extra recovery at 15% reduces the 2005 recovery when in reality the number would be in excess of 60% for the continuous period.

The ongoing maintenance programme of the mill is continuing and in 2005 only reduced production by less than 7% versus capacity.

Approximately two thirds of the mill feed for 2005 was delivered from the Pokrovskiy pits, a 4% contribution is the continued technical sample from the Pioneer deposit whilst the remaining feed is part of the blending process using ore from the Pokrovskiy stockpiles. Partly as a result of the Pioneer study, the Group decided to add reagents to the ore at the grinding stage which has already resulted in an increased recovery rate.

The enhancement in heap leach technology has preserved production costs at last year's level despite gold grades in the heap leach ore being 17% lower than in 2004 (1.8g/t – 2004 versus 1.5g/t – 2005). The enhanced technology allows economic treatment of grades lower than originally anticipated which will consequently allow an increase in the reserve base of the deposit.

The construction of the further heap leach pads at Pokrovskiy is well underway and it is expected to produce gold from this year whilst the older pads are subject to the maintenance programme.

During the year, the desorption process at the plant was improved to achieve a more complete extraction of silver. As a result of this, silver production doubled in the fourth quarter and should continue at this increased rate.

Operating Costs

2005 Gold Institute Standard ("GIS") Total Cash Cost for Pokrovskiy is US\$159/oz. – a rise of c.18% compared to 2004.

As is common throughout the extractive industry globally, material and input costs at the Pokrovskiy mine experienced upwards pressure from external factors during 2005. For Pokrovskiy, fuel, energy and plant consumables prices have increased by 36%, 26% and 30% respectively. Direct mining expenses can be broken down into 49% raw materials (2004 – 41%), 28% fuel & energy (2004 – 28%) and 23% labour (2004 – 31%).

The Group has put in place a series of long term and significant cost cutting programmes, the effects of which should be felt during 2006 and in the following years. The key aim of the measures is to ensure a more efficient use of equipment, consequently reducing the amount of raw materials and fuel and energy that are used. The upgrading of the equipment fleet at Pokrovskiy is also helping this process.

The reorganisation of the Group company operating Pokrovskiy Rudnik should also improve the project's economics. An example of this is that the project's cost base is currently enlarged by the number of specialists and staff who are destined to work at the Group's other development projects. This labour cost will be included in the relative projects' accounts at the appropriate time.

2006 Workplan and Budget

The 2006 budget foresees a similar production level to that of 2005 at 185,700oz. Mine planning shows deeper level mining during 2006 processing harder and less oxidised ore. The grade of the ore mined is expected to be consistent with previous years. Increased and more efficient capacity at the RIP mill is forecast to deliver a similar level of production to that recovered in 2005.

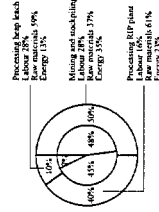
The Pokrovskiy operations are not immune from the worldwide pressures on input costs, even though historically Pokrovskiy's operating costs have been relatively flat as the inflationary pressures were outweighed by increased economies of scale. During 2006 production levels are not forecast to increase markedly and consequently operating costs may well see upward pressure.

It is expected that the heap leach operations will enjoy an increased recovery rate of c.60-70% due to the new process of double stacking ore, although this has meant an extended time on the pads. The increased recovery rates have significantly increased the amount of ore that may be treated on the heap leach by lowering the acceptable cut-off grade. This is expected to increase the reserves and resources of the Pokrovskiy deposit in the longer term.

Gold Institute Standard – cost per ounce

Per Gold Institute Standard for reporting production costs (US\$/oz)	2005
Direct mining and processing expenses	95.0
Refinery & transportation cost	4.5
By-product credits	(0.9)
Other	26.8
Cash operating cost	125.4
Royalties	27.1
Production taxes	6.2
Total cash cost	158.7
Non-cash movement in stock	28.6
Depreciation/Amortisation	42.4
Total production cost	229.7

Pokrovskiy mine breakdown of direct mining expenses (GIS) 2005



EXPLORATION AND DEVELOPMENT OMCHAK JOINT VENTURE

Vladimir A Bannin

General Director

Omchak Joint Venture

Mr Bannin was appointed as General

Director of the joint venture in

November 2003. He is a qualified

geological engineer and is also

qualified in economics and management.

Mr Bannin has worked in the gold

industry in the Russian North East for

almost 25 years and previously chaired

the Geological Committee of the Vice

Governor of the Magadan Region.

OPERATING ASSETS OF THE OMCHAK JOINT VENTURE FULFILLED
PRODUCTION TARGETS BUT WERE PARTICULARLY ADVERSELY
IMPACTED BY FUEL PRICE INCREASES

PRODUCTION AND DEVELOPMENT RESULTS ARE VERY ENCOURAGING

Omchak JV

In 2005 ZAO Gold Mining Company Omchak (the 'Omchak JV') produced 79,000 ounces, predominantly from its two main assets in the Magadan region: Shkolnoye underground mine and Berelekh alluvial deposits. There was an 11% decrease in production in 2005, subsequently the Group's attributable production also decreased by 10% from 57,000 ounces to 51,600 ounces following a cash dividend receipt in December, which reduced PHM's interest in the JV from 65% back to 50%. The decrease in gold production was forecast as a result of the transition of mining to the lower horizon at the Shkolnoye deposit, where the ore is less rich, rather than a reduction in ore extraction and processing. The gold grade in saleable ore is now 10-15g/t, whereas in 2003-4 zones with gold grades of over 20g/t were mined.

Nelkobazoloto

The company mined 54,700 tonnes of ore in 2005. Mining has been switched to the lower horizon and, according to drilling results, there are 117,029oz of P1 reserves with a gold grade of 14.2g/t on levels -350m and -650m. In 2005 1,200m of underground drilling was carried out to provide access to the lower horizon. Gold production for 2006 is expected to be marginally over 16,075oz.

Berelekh

BAO Berelekh operates an alluvial mining enterprise in the Magadan region. During 2005 the company acquired 10 extra Libcher trucks, in order to reduce operational costs. There are around 10 tonnes of gold bearing sands with an average grade of 1.1g/m³ available for open-pit extraction and 312,473oz of C1 and C2 underground reserves with an average gold grade of 3.86-9.77 g/m³ at an average depth of 60m. A 26 ounce nugget (nuggets are usually between 0.04oz and 32.2oz) was extracted from one of the washing apparatuses and daily gold production on one piece of equipment reached c.92 ounces per day. The company plans to extract 57,871oz of gold through open-pit techniques in 2006. Due to continuous discoveries of new resources Berelekh will maintain production for the next five to six years.

Operating costs

Costs at Omchak have risen in 2005 due to a significant rise in material and input costs which have affected the mining industry as a whole. In addition, with c.40% of its costs connected to fuel and energy due to its alluvial operations, and significant foreign exchange translation losses, Omchak has suffered particularly with a 17% rise in total cash costs in 2005 to US\$360/oz (2004 – US\$307/oz) and a 19% rise in total production costs to US\$388/oz (2004 – US\$327/oz).

Business Development

Uduma

In 2005 Omchak acquired the Uduma deposit in the Republic of Sakha (Yakutia). The depth of the gold bearing layer is 1.0-6.0m and the gold grade of the sands ranges between 0.5-1.5 g/m³. Gold mining will begin in 2006 once the project has been fully approved and developed, with planned production of 2,894oz for the year.

Noviye Tekhnologii and Zeyazoloto

In 2005 Omchak acquired 100% of OOO Noviye Tekhnologii and 50% of OOO Zeyazoloto, which have combined reserves and resources of around 80,377oz. The operations are alluvial and located in the Amur region near to PHM's Pokrovskiy mine. The gold is extracted using techniques similar to open pit operations, for which the company owns seven Komatsu bulldozers. During 2005, 381,200m³ of waste rock was stripped and 222,400 m³ of sand was processed. In 2006, 3,000m of core holes will be drilled and gold production is expected to reach 5,787oz.

Chita region

In 2005 Omchak won the auctions for three gold deposits in the Zabaikal Area (Chita region) with total reserves and resources of 4.7 million ounces and an average gold grade of 10.0-13.0g/t. The Verkhne-Altinskoe deposit is made up of steeply dipping quartz-sulphide veins and mineralised zones. Gold grades vary from 0.8 to 332g/t and mineralisation reaches depths from 200m to 370-400m. According to laboratory testing a recovery rate of 95.9% gold and 91.4% silver is expected. Drilling will commence in 2006 and around 14,000m will be drilled and 120,000m³ trenced in 2006-2007 in order to complete exploration and preparation of reserves for approval by the State Reserves Committee. The Kuliinskiy and Bukhtinskiy gold properties are hard rock deposits, suitable for open pit and underground development, and are accessible by existing roads and nearby major railways. Gold mineralisation at the Kuliinskiy ore field was established in 1966-67 and has since been studied at depth. An appraisal of both sites will be conducted in 2006 with further geological and geophysical research commencing in 2007, resulting in an eventual re-estimation of reserves and resources.

Omchak Joint Venture Production Report

Nelkobazoloto – Shkolnoye Deposit

	2003	2004	2005
Ore mined	t '000	50.9	54.7
Ore processed	t '000	65.0	54.2
Ounces produced	ounces '000	27.4	18.7

Berelekh

	2003	2004	2005
Waste rock stripped	m ³ '000	9,311	8,724
Sands processed	m ³ '000	3,764	3,957
Ounces produced	ounces '000	61.5	57.2

Noviye Tekhnologii and Zeyazoloto

	2003	2004	2005
Waste rock stripped	m ³ '000	—	381.2
Sands processed	m ³ '000	—	222.4
Ounces produced	ounces '000	—	3.1

	2003	2004	2005
Total gold production ounces	ounces '000	88.9	79.0
PHM attributable (50%) ounces	ounces '000	57.0	51.4

Omchak Joint Venture Gold production ('000 oz)

Total Gold
production

PHM
attributable

75

EXPLORATION AND DEVELOPMENT

Summary table of Peter Hambro Mining's reserves and resources

Area	Oré (’000 t) 2005	Gold Content (kg) (’000 oz) 2005	(’000 oz) 2004	Reserves Resources	Reserves Resources	21% increase in reserves	32% increase in resources
Group summary							
C1**	30,729	61,578	1,980	2,098			
C1+C2	1,269	11,332	364	445	70,551		
C2	134,678	208,043	6,689	4,933			
Total Reserves	166,676	280,953	9,033	7,476			
P1*	150,584	301,479	9,693	8,442			
P2	262,270	523,225	16,822	27,617			
P2+P3	810,541	1,361,381	43,769	29,589			
P3	648,000	714,000	22,956	4,903			
Total Resources	1,871,395	2,900,085	93,240	70,551			
Total Reserves & Resources	2,038,071	3,181,038	102,273	78,027			

* It should be remembered that of the P Category Resources, P1 is always supported by drilling whereas this is not the necessarily the case for P2 and P3.

** Includes small area of B1 at Tokur deposit.

Nicolai Vlasov
Group Chief Geologist
Mr Vlasov was in charge of the State Mission that evaluated gold resources in the Russian Far East. As the Group's Chief Geologist he is responsible for exploration and grade control at Pokrovskiy Rudnik as well as other Group operations, development and exploration.

Jay Hambro
Business Development Director
Mr Hambro trained in resource finance at NM Rothschild & Sons, based in both London and the US and then moved to the investment banking division of HSBC as a Manager of Metals & Mining corporate finance before joining the Group full time in early 2002.

Dmitry Chekashkin
MC P1M Financial Director
Mr Chekashkin is a qualified engineer and worked as Deputy General Director of Finance for two leading gold mining enterprises in the Russian Far East before joining JSC Pokrovskiy Rudnik in 2003. In 2005 he was appointed Finance Director of Management Company Peter Hambro Mining.

- Reserves and resources of the Group reach an all time high of over 100 million ounces
- Continued flow of resources to reserves with substantial drilling and trenching programme continuing to find ore zones at targets identified by geochemical modelling
- Creation of in-house infrastructure teams suitable to meet development plans
- Doubling of Pioneer C2 reserves
- Malomir exploration programme confirms and enlarges estimates from previous work

Graphic representation of the Group's exploration and development status and plan for 2006 – showing projects, budgets and reserves and resources

Strategic ranking of projects	Exploration and development budget	Approximate breakdown of the Group's reserves and resources
Pokrovskiy and Omchak		<p>Reserves The Group's reserve base reached an all-time high of 9,000,000oz with the majority of this coming from the projects contributing to the 2009 million ounce per annum production target</p> <p>^</p>
Pokrovskiy Flanks, Pioneer, Malomir and Novogodnee Monto	US\$18.5 million	<p>^ ^</p>
Amur North East Belt assets, Yamal Region assets and Omchak JV exploration assets	US\$12.3 million	<p>Resources The Group's resource base has risen to over 90,000,000oz through the discovery, acquisition and definition of deposits whilst the flow to reserve has continued</p> <p>^ ^ ^ ^</p>
General portfolio of assets at greenfield or preliminary investigation target stage	US\$4.9 million	<p>^ ^ ^ ^ ^ ^</p>
		<p>^ ^ ^ ^ ^ ^</p>
		<p>For a detailed breakdown of reserves and resources see opposite page and individual project breakdowns.</p>

POKROVSKIY MINE IS THE CORE OPERATING ASSET OF THE GROUP. THE EXPANSION TO ONE MILLION OUNCES PRODUCTION PER ANNUM INCLUDES FORECAST PRODUCTION FROM DEVELOPMENT AND OPERATION OF THE POKROVSKIY

- New reserves found within, beside, and below the current Pokrovka-1 pit
- Major fanglomerate-hosted resource discovered in Pokrovka-2 area, to be explored in 2006
- Gold mineralisation confirmed in areas predicted by the earlier 3D geochemical modelling study

2005 work

9,000 metres of drilling completed on the Pokrovsky deposit, 11,400m on the flanks, and 19,000m² of trenching on the flanks. Emphasis has been placed on expansion of the open pit reserves at Pokrovka-1, and exploration of the recently identified fanglomerate deposit in the Pokrovka-2 area, discussed in more detail below.

Results/Conclusions

Detailed exploration within and adjacent to the Pokrovka-1 pit has proved extensions of the ore bodies, with potential for pit expansion to the East to exploit an ore bridge between the Glavnoye and Ozernoye ore bodies. Within the pit, an additional 30,000oz of gold reserves have been proved and already mined. There is now also drill hole evidence for a high-grade extension of the Glavnoye ore body, at grades of 6g/t down to the 120m level (200m below surface). The currently approved ultimate pit depth is the 190m level.

On the Pokrovsky flanks, the most significant activity has been the exploration of a major new ore zone within the Pokrovka-2 area. This is an entirely different type of deposit. A very large

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Exploration (trenching, plus shallow and deep drilling) on the flanks will continue, in particular to delineate the zones of mineralisation identified along the Sergeevsky fault to the North West of Pokrovka-1.

Active exploration is now also planned in an outer set of prospects under a newly acquired licence (Zheltunak). This new licence covers a number of separate 'outer flanks' areas at distances of 5-15km from Pokrovka, and intensive exploration is planned on these in 2006. In one area, Velikiye Luzhki, South West of the town of Tygda and adjacent to the Trans-Siberian railway, shallow drilling and trenching has already started on an area of Jurassic sandstones and siltstones with gold/quartz/pyrite mineralisation.

The new Pokrovskiy Flanks mill is expected to begin operating in 2009 with an estimated gold production figure of 330,000oz per annum. Total capital expenditure requirements for the mill and associated infrastructure and mining operations are estimated to be US\$134m.

EXPLORATION AND DEVELOPMENT

IONEER DEPOSIT IS C.30KM FROM THE EXISTING
ATIONS AT POKROVSKIY. THE DEPOSIT APPEARS
ST A LARGE ORE BODY WITH HIGH GROWTH
OLUMNS AT REGULAR INTERVALS

BEGAN EXPLORING THE DEPOSIT IN 2001 AND
CTS TO BEGIN COMMERCIAL PRODUCTION
NG 2007

– reserves and resources			
	Category (B, C or P)	Ore (’000t)	Gold content (kg) (’000oz)
deposit			
id, Promezhutochnaya,			
hnaya (cont.) *	C2	69,073	96,137
	P1	14,810	23,260
			748
exploration areas*			
	P1	1,340	4,550
	P2	111,640	194,450
			6,252
Pioneer area		196,863	318,397
			10,237
sian reserves		69,073	96,137
sian resources		127,790	222,260
			3,091
			7,146

id be remembered that of the P Category Resources, P1 is always
d by drilling whereas this is not the necessarily the case for P2 and P3.

- Two pilot-scale open pits are now operating, on the first two ore columns discovered
- Further ore columns found, currently undergoing detailed delineation exploration
- Gold ore bodies discovered on Zapadnaya and Zvezdochka zones; to be explored in detail in 2006

2005 work

116m³ of trenching and 19,400m of deep drilling were done in 2005, and with commissioning of the laboratories, the outstanding backlog of assays from 2004 and all assays from 2005 were completed.

Two pilot-scale open pits are now operating, on the Apophysis 1 ore column in the Bakmut zone, and on the ore column at the North East end of Promezhutochnaya zone. The first has reached 30m depth in high-grade ore, the second is still at the pre-stripping stage.

Results/Conclusions

Exploration in 2005 has proved a number of additional ore columns similar to Apophysis 1 and the ore column at the North East end of Promezhutochnaya zone. There is a second ore column on Promezhutochnaya zone, which is being delineated on a 20m x 20m drilling grid. The oxide zone here extends to 40m depth. The primary ore contains 5-10% sulphides, but gold is predominantly associated with the quartz.

On the three main ore zones (Bakmut, Promezhutochnaya, and Yuzhnaya) 2005 exploration drilling and trenching, and completion of all outstanding assays, has allowed the conversion of most of the P1+P2 resources to C2 reserves: in 2005 there were 50.5mt P2+P1 and 30.3mt C2. Now the C2 reserves have more than doubled to 69.1mt, and P1 resources are 14.8mt of ore; none remain in the P2 category.

In Yuzhnaya zone, the existence of an ore column at the Northern end (explored intensively in 2004-5) has now been proven and there is evidence of a second ore column 800m to the South. It has been intersected in two trenches and 10 drill holes.

With commissioning of the new laboratory facilities, the assay backlog has now been cleared, and positive results obtained for a number of the Pioneer satellite zones. In two of these particularly significant gold mineralisation has been found: in Zapadnaya zone, three trenches and one drill hole have intersected up to 3m thickness at 10g/t.

The Zvezdochka zone is intersected in 11 trenches and there are believed to be a number of ‘en echelon’ high-grade ore bodies (assays up to 22g/t), one of which is at least 120m long, identified in 6 trenches.

A new structural interpretation for Pioneer has been developed, recognising the coincidence of the several discovered ore columns (including the newly identified Zvezdochka and Zapadnaya mineralisation) with the intersection of regularly spaced fracture systems (see map). This conceptual model can now be used, in combination with other methods including the 3D geochemical modelling, for identification of further exploration targets. One of the most promising of these, to be explored in 2006, is Andreevskaya, to the South West of the main Pioneer deposits – where a very recent drill hole has intersected a 20m mineralised zone containing grades over 1,000g/t.

2006 onwards

Cross-cutting trenches and further drilling is planned to fully delineate the newly discovered ore column in the South of Yuzhnaya zone.

More detailed exploration (trenching and drilling) will be done to delineate the Zapadnaya and Zvezdochka ore zones.

Moreover, 2006 exploration priorities will also include work to delineate the ends of the Bakmut and Yuzhnaya zones which are still open to the North West and the South respectively; systematic exploration of the Andreevskaya zone where very high gold and silver grades have been found, and exploration of the Vostochnaya zone in the South West, where the 3D geochemical modelling suggests

important gold-bearing mineralisation (the Zvezdochka and Zapadnaya ore bodies also coincide with anomalies in the geochemical model).

The new Pioneer heap leach facilities are expected to begin operating in 2007. High grade ore is planned to be stockpiled and trucked to the new Pokrovskiy Flanks mill, which is planned to be commissioned in 2009. Estimated 2009 gold production from the heap leach is 150,000oz and from the high grade is 100,000oz. Total capital expenditure requirements for the heap leach, associated infrastructure, transport, and mining operations are estimated to be US\$81m.

EXPLORATION AND DEVELOPMENT

WAS SUCCESSFUL IN THE STATE AUCTION OF MALOMIR DEPOSIT IN FEBRUARY 2005. TO DATE GROUP HAS CARRIED OUT A SUBSTANTIAL MINING AND TRENCHING PROGRAMME, AS WELL AS CONSTRUCTING A LARGE EXPLORATION AND MINING AND NEARING COMPLETION OF AN ALL-YEAR TO SITE

Reserves and resources			
Category (B, C or P)	Ore ('000t)	Gold content (kg) ('000oz)	
C2	23,550	47,500	1,527
P1	65,300	132,800	4,270
P2+P3	456,000	384,800	12,372
Malomir areas	544,850	565,100	18,168
Malomir reserves	23,550	47,500	1,527
Malomir resources	521,300	517,600	16,641

It should be remembered that of the P Category Resources, P1 is always identified by drilling whereas this is not the necessarily the case for P2 and P3.

- Confirmation drilling in Diagonal zone central area indicates 20% higher reserves than anticipated – previous estimates for this 480m-long section were 12.4mt ore at 1.68g/t (21t gold), new estimates for the same section are 16.2mt ore at 1.72g/t (27.85t gold)
- Thick high-grade ore-column identified at North East end of Diagonal zone
- Major new heap-leachable resource identified in the Quartzite zone: potentially 9,650,000 ounces gold resource (C2+P1+P2+P3)

General Description

The mining licence area covers two major gold deposits of contrasting geology and ore type:

- The Diagonal zone, to the South of the East-West Malomir fault, consists of a low angle thrust belt within a Lower Paleozoic black shale sequence. Gold mineralisation is hosted by quartz veins and stockworks and is also disseminated in crush zones above the basal Diagonal thrust (of South-West North-East strike, and dipping 20-30 degrees to the North West), with associated pyrite and arsenopyrite.
- The Quartzite zone consists of gold dissemination throughout the mass of a series of chemically altered (beresitised) granitoid intrusions in hills to the North of the Malomir fault.

2005 work

A fully equipped exploration camp is now set up at Malomir, and a permanent mine access to the main regional road and power line are nearing the end of construction.

Exploration trenching (197,000m²) and drilling (2,632m) during 2005 concentrated on confirmation and extension of reserves on the Diagonal zone. So far a central area 480 metres along strike has been re-evaluated.

The Tokur laboratory is now entirely committed to assaying Malomir samples.

Results/Conclusions

Not only are previous estimates confirmed, but both grade and tonnage are higher than anticipated, with a 20% increase in contained gold in one 480m-long section of the Diagonal zone: previous estimates for this section were 12.4 million tonnes ore at 1.68g/t (contained gold 675,000 ounces) at 1g/t cut-off, with the new figures being 16.2 million tonnes ore at 1.72g/t (900,000 ounces gold) at 0.8g/t cut-off.

With a reduction in cut-off grade to 0.6g/t it has been found that the separate branches of the Diagonal zone can be aggregated into a single very thick ore body.

A significant new finding is that near the North East end of the Diagonal zone, at the junction with several overlying branch thrusts, there is a thick high-grade ore column not previously recognised, with trench sample assays indicating 15g/t over 4 metres thickness, and a total ore thickness of 93 metres at 1.8g/t.

hydrogeological, engineering geology, topographic survey, and environmental studies also to be conducted in 2006, should allow the P1 resources to be converted to C2 reserves.

Tailings from abandoned placer operations in the Malomir valley will also be tested for easily extractable gold.

2006 onwards

Core drilling continues in 2006 with four rigs operating (including one temporarily transferred from Tokur), and trenching is to be extended Westwards along the Diagonal zone.

Trenching and drilling is also planned on five of the granitoid masses which constitute the quartzite zone. Previous data from just one of these established a large low-grade resource (6.3mt at 2.4g/t C2+P1 plus a further 406 mt potential at 0.7g/t, of P2+P3 resources), and metallurgical tests demonstrated the feasibility of cyanide leaching, with 80% recovery from 10mm crushed material. Although the other bodies have not yet been systematically sampled, all available assays show grades of at least 0.3g/t, with low sulphide content.

On the Diagonal zone, studies are to be conducted to identify markers for the primary, the possible semi-oxidised, and the oxidised zones, and metallurgical testing will be carried out on a bulk sample to be collected from each ore type. Completion of this testing, together with parallel

The planned Malomir mill is expected to begin operating in 2008 with an estimated gold production figure of 400,000oz. Total capital expenditure requirements for the mill and associated infrastructure and mining operations are estimated to be US\$112m.

EXPLORATION AND DEVELOPMENT

AMAL ASSETS ARE LOCATED IN THE VICINITY OF THE YAMALANENETSKY CIRCLE WITHIN THE YAMALANENETSKY AUTONOMOUS REGION

PRIMARY ASSETS ARE THE NOVODODNEE AND PETROPAVLOSKOYE DEPOSITS

DWNS A NUMBER OF EARLY STAGE GOLD, METALLIC AND BASE METAL DEPOSITS

Novododnee – reserves and resources			
Category (B, C or P)	Ore ('000t)	Gold content (kg) ('000oz)	
Novododnee Monto	C1+C2 1,235	10,500	338
	P1 2,210	9,320	300
	C2 7,529	12,804	412
	P1 11,471	32,196	1035
Petrovavloskoye and Novododnee Monto	P2 23,000	54,000	1736
	P2 28,000	57,000	1,833
Novododnee Monto	73,445	175,820	5,633
Novododnee Monto	8,764	23,304	749
Novododnee Monto	64,681	152,516	4,903
Petrovavloskoye area	P3 600,000	600,000	19,290
Petrovavloskoye area	P2+P3 15,000	30,000	965
Petrovavloskoye area	P3 15,000	30,000	965
Petrovavloskoye area	P1 6,600	3,300	106
Petrovavloskoye area	P2+P3 40,000	20,000	643
Petrovavloskoye area	676,600	683,300	21,969
Petrovavloskoye area	–	–	–
Petrovavloskoye area	676,600	683,300	21,969

It should be remembered that of the P Category Resources, P1 is always defined by drilling whereas this is not the necessarily the case for P2 and P3.

- Novogodnee Monto: advanced preparations are underway for the start of mining operations; meanwhile, exploration continues to extend the gold reserves on the South of the deposit. SRK (April 2006) opinion that “the licence area represents a high quality exploration asset” with a potential resource of 5 million ounces
- Petrovavloskoye: intensive exploration has established this as a major deposit in its own right
- YGK: significant portfolio of green/brownfield exploration assets

NOVODODNEE MONTTO

2005 work

Drilling in 2005 on Novogodnee Montto and Petrovavloskoye deposits included 41,000m deep drill holes to complete the evaluation of the Novogodnee deposit and to delineate the central portion of the Petrovavloskoye deposit, plus 13,700m² of trenching within the licence area.

Results/Conclusions

Work is currently being completed on approvals for mining the main deposit (massive magnetite skarn with layers of gold-bearing sulphides) as a polymetallic operation for gold, iron, and cobalt. Current gold reserves and resources are 340,000 ounces (C1+C2) and 300,000 ounces (P1).

A report by SRK (UK) Limited, a well known UK based mining engineering consultancy, dated April 2006, examining the Novogodnee Montto deposit and the exploration areas of the Toupuigol-Khameishorsky licence expresses confidence that the licence areas represent a high quality

exploration asset with significant potential to host a resource of approximately five million ounces of gold.

2006 onwards

Immediately to the South of Novogodnee Montto, the Karachinisevo area contains gold grades of 3–5g/t and exploration is continuing in 2006 to delineate this deposit. Work on a feasibility study continues.

PETROPAYLOSKOYE

This is West of Novogodnee Montto and parallel to it, with North-South orientation, and lies within the Zapadnaya exploration area.

2005 work

Extensive drilling in 2005 was carried out to delineate the central portion of the deposit as well as to establish its Northerly and Southerly continuations.

Results/Conclusions

Unlike Novogodnee Montto, this is a gold-bearing quartz stockwork deposit 50–120m thick, with a central quartz ‘leader’ vein 1–4m thick with grades from 6–70g/t, now found to be continuous along strike of 500m and to a depth of at least 200m in eight drill hole intersections. Beyond the 550m zone explored in detail, mineralisation has been established to continue for a further 1,500m Northwards and Southwards for a further 850m. P1 category estimates for the central zone of 800,000 ounces contained gold and for the extensions of 320,000 ounces each, totalling 1,450,000 ounces contained gold (C2+P1 category) for the entire Petrovavloskoye deposit.

2006 onwards

Drilling continues in 2006, with three rigs in operation, to infill the central area and to extend the reserves estimation to North and South. SRK considers the area, including the Petropavloskoye deposit, to be a high priority area for detailed exploration.

YGK

Yamalskaya Gornaya Kompaniya ('YGK') holds a series of exploration licences in the Yamal region in a line to both North and South of Novogodnee Monto, parallel with the river Ob. A range of assets in a variety of different geological settings, with potential for large base metal and polymetallic resources, as well as significant precious metal.

Below is a brief summary of the information held by the Group. Active exploration work, including trenching and drilling as appropriate, is ongoing/planned on all of the properties listed below.

Schuchinskaya area – Silurian-Devonian volcano-sedimentary deposits intruded by Diorites, with development of skarns. This area contains over ten identified mineralised zones, and, in particular, includes the following:

- Sibileiskiy – Two deposits of magnetite skarns. Core drilling in 1999 indicated gold grades of 3g/t over an interval of 60m with individual assays up to 100g/t.
- Yun-Yaga and Nerutsyakh – The Nerutsyakh area contains a mineralised tectonic zone, adjacent to a magnetite skarn similar to Novogodnee Monto. The skarn contains 8%

nickeliferous pyrrhotite and chalcopyrite, with 0.3% cobalt and up to 0.1% zirconium. Iron reserves (C1+C2) are 66.1mt ore at a grade of 45-60% iron.

Rudniye Gorki – Geologically similar to both the Schuchinskaya area and to Novogodnee Monto. Consists of a magnetite deposit with up to 0.4-0.6% copper in sulphides with gold (resource potential up to an estimated 1m ounces). Drilling is planned in 2006.

Ozerniy – Consists of Bushveld-style layered ultrabasics with at least three known zones of sulphide and PGM mineralisation. Individual zones with disseminated sulphides are 1,500-3,400m long and up to 50 metres outcrop width. One zone so far explored is known to be continuous along strike for 1.5km and down dip for 200m, open in all directions. Potential resources estimated at up to 1 million ounces of gold, similar of PGM's, plus 2 million tonnes of copper.

Pyatirechenskoye – Similar to Ozerniy, this is a less explored ore occurrence with PGM's, copper, cobalt, and nickel. Old data suggests P1 resources, containing 2.6 t platinum, 154,000t copper, and a further 1 million tonnes copper at category P2.

Zapadnoye deposit – This chromite deposit is 5km from the similar Tsentralnoye deposit being worked by OAO Kongor-Chromc. Reserves in 2002 were C1 492,200t ore at 38.71% Cr₂O₃ and C2 1,164,100t ore at 37.77% Cr₂O₃.

EXPLORATION AND DEVELOPMENT

ASSETS THAT MAKE UP THE AMUR NORTH EAST
ALONG WITH MALOMIR AS DISCUSSED ABOVE)
BELIEVED TO BE PART OF A MAJOR NEW GOLD BELT
OTHER ASSETS WITHIN PHM'S PORTFOLIO RANGE
EARLY STAGE GOLD EXPLORATION DEPOSITS
ERATING JOINT VENTURES AND GROUP SERVICE
ANIES CARRYING OUT EXTERNAL CONTRACTING

North East belt – reserves and resources			
Category (B, C or P)	Ore ('000)	Gold content (kg) ('000oz)	
Recent mineralisation findings and stockpiles e fault	B	63	636
	C1	351	4,262
	C2	414	4,898
	C2	737	1,252
Tokur area Voskovoyskoye deposit Voskovoyskoye Voskovoyskoye area	C1	3,518	7,873
	C2	7,053	13,778
	P1*	13,840	41,038
	P2+P3	67,032	197,711
Albin area group deposits	P2+P3	205,109	599,600
	P3	298,117	871,048
	C1+C2	34	832
	P1*	594	2,970
Amur North East belt & group deposits	P2+P3	20,000	100,000
	P1	20,628	103,802
	P2+P3	2,960	19,490
	P1	5,100	17,570
Group deposits	C2	8,060	37,060
	P1*	93	520
	P2	550	2,700
	P2+P3	3,000	15,000
Group deposits	P2+P3	2,300	11,700
	P3	13,000	45,000
	P1*	345,748	1,086,830
	P2	12,263	34,051
	P3	333,485	1,052,779
	P1*	34,942	1,095
	P2	33,848	33,848

ed by drilling whereas this is not the necessarily the case for P2 and P3.

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- Tokur reserves confirmed and increased, and exploration continuing between the old Tokur mine and the Innokentevskiy deposit, by manual trenching
- Voroshilovskoye and Verkhneminskoye reserves confirmed in detailed exploration in 2005. New knowledge of ore shoot geometry to be used to seek similar ore shoots in parallel areas of geophysical anomalies to the North
- New licence area Albin includes a major mineralised zone on which intensive exploration is starting in 2006
- Group service companies growing and carrying out external contracting to train for delivery of million ounce target

Tokur 2005 work

Preliminary geological exploration of the Glavnyaya ore zone has been completed over its entire length (6.0km).

Exploration trenches (37,000m²) and drill holes (1,592m) have confirmed and extended the previous reserves estimates in the central Tokur and Innokentevskoye deposit areas. The ruggedness of the terrain between the Tokur and Innokentevskiy areas prevented either mechanical trenching or the use of drilling rigs, and the bulldozer and rig have temporarily been removed to Malomir.

Results/Conclusions

It has been established that economic mineralisation within this zone is concentrated in ore-columns associated with gold-bearing quartz veins. The longest such section (1.5km) is located at the Tokur deposit itself. It has a typical gold grade of 2.2g/t over a thickness of 8.5m. At depth the grade gradually increases and at 150m is 3.6g/t over 5m.

At the Tokur mine, reserves remain in the previously worked quartz veins above the Glavny fault, and higher grades than expected (up to 11g/t) were found at the fault itself. Total reserves at the Tokur mine itself are now estimated at 1,350,000 ounces contained gold, of which 100,000 ounces are in the uppermost 50m and accessible to open pit extraction.

2006 onwards

Despite the difficulty of mechanical access, an active 2006 exploration programme in this area will be pursued by manual trenching, of which 100,000m² is planned, and subsequently by oblique drill holes from flatter areas around the Tokur and Innokentevskiy deposits, including the access roads themselves.

VOROSHILOVSKOYE

2005 work

In 2005 the Voroshilovskoye and nearby Verkhneinskoye deposits were thoroughly explored by trenching, and the existing reserve estimates confirmed.

Results/Conclusions

Geophysical and geochemical surveys indicated the likelihood of major ore zones to the North of the old Voroshilovskoye mine, but trench sampling failed to identify more than a small deposit of commercial grade.

2006 onwards

Ore shoots in the Voroshilovskoye deposit trend North-South, across the East-West overall strike of the ore zone, and in 2006 trenching is planned to locate possible similar ore shoots in the Novaya zone defined by the magnetic survey.

Albin

This is a new licence on an area South East of Tokur and Voroshilovskoye. Gold mineralisation has been known in this area since 1901 and it was worked until 1955 for gold and scheelite (tungsten). Mineralisation is in quartz veins similar to those at Tokur (386,000 ounces gold of P1 category resource). However, the main interest here is in a deposit discovered in the 1980's (a gold-bearing quartz-sericite-albite metasomatised zone within Paleozoic green slates) 2km long (480,000 ounces gold, P1+P2). The 2006 exploration programme consists of trenching and

drilling of this zone, already known (from old drill holes) to extend to at least 150m depth. P1 resources of 150,000oz, at an average grade of 5-6g/t, are listed, but the potential is for up to 600,000oz.

AMUR REGION ASSETS

The Group has an increasing number of small scale and early stage development assets within the Amur Region. These assets will be discussed when they become material and disclosures made accordingly. The most advanced stage asset is the Odolgo deposit, owned through the Group's Rudnoye Joint Venture.

Odolgo

This is a small gold deposit within a retrograde metamorphosed zone in Archaean-Proterozoic metamorphic rocks, in the North West of the Amur region. There are two parallel North-South magnetic structures (titanomagnetite bodies) which are straddled by the gold ore body. Exploration in 2005 included trenching and 100m of drilling. Trench and drill hole sampling has provided assays of highly variable grades averaging 6g/t over 3-4 metres thickness. Because of coarseness of the gold, the 10-15kg samples so far taken are not considered representative, and they will be supplemented in 2006 by 100kg samples. The deposit is open to North and South. The reserves estimates will be submitted for approval by the Territorial Committee on Reserves and Resources, but because of the complexity of the deposit will be classed in category C2.

GROUP IN-HOUSE

SERVICES COMPANIES

NPGF Regis (Exploration Company)

PHM has a majority stake in the exploration company "NPGF Regis" which carries out geological exploration, including drilling, trenching and geological monitoring, on the Group's Amur Region deposits. Regis uses qualified specialist geologists, GPS systems, and complex modern drilling techniques in order to achieve high quality exploratory results whilst minimising costs. There are 388 people working at the company, including 79 geological specialists.

Kapstroï (construction company)

Kapstroï is a construction company set up using equipment and units and specialist workers, engineers and technicians employed in the construction of the operations at Pokrovskiy. Kapstroï operates at most of the Group's projects. In 2005 Kapstroï was involved in the expansion of the Pokrovskiy RIP plant; the construction of a large camp and road at Malomir; other infrastructure projects within PHM; and contract work for Aricom PLC in the construction of the Olekma project. During 2006 Kapstroï is expected to complete the construction of the heap-leach operations at Pioneer. There are 518 people working at the company, including 82 engineers and technicians.

MC PHM Engineering

The Group has formed an in-house engineering company to help fulfil the aggressive expansion programme planned. The company has a current total of 35 employees most of which were previously employed by Vniipromtekhologii the engineering company that was contracted to PHM for the original design and construction of the Pokrovskiy RIP plant. The focus of the company is currently on improving the Pokrovskiy plant, the Pokrovskiy flanks and the Pioneer heap leach programmes.

PHM Laboratories

100% of analytical work carried out on samples from the Amur Region is carried out in PHM's own laboratories and results are achieved within one month. By February 2005 all construction expansion and modernising work was finished on the Pokrovka, Tokur and Blagoveshchensk laboratories and collectively they process 22,000 samples per month using additional drying chambers, Rocklabs lines and other assay equipment in order to increase efficiency and productivity. In June 2006 a new department of the Blagoveshchensk laboratory will be opened increasing its ore sampling capacity. The Labitnangi laboratory (Yamal/Zoloto) is currently under reconstruction in order to improve the volume of ore sampling and to widen the spectrum of analytical services currently offered and is capable of complex analysis of samples containing gold, silver, platinum group metals and various other non-ferrous metals.

CORPORATE AND SOCIAL RESPONSIBILITY STATEMENT

GROUP HAS AN ACTIVE PROGRAMME
DEDICATED TO MAINTAINING, MONITORING
AND PLANNING THE GROUP'S CORPORATE
SOCIAL RESPONSIBILITY ("CSR")

- CSR designated as key priority for Board of Directors, Senior Management and Operations Management
- Continued aim of operating to World Bank standards
- Ongoing collaboration with IFC to continue development in CSR programme and activities
- Awarded Queen's Award for Enterprise

1. Medical unit at Pokrovskiy mine
2. Canteen at Pokrovskiy mine
3. Wood workshop at Pokrovskiy mine

Environmental and social performance indicator information selected from IFC Audit

A. Environmental indicators

- Air monitoring ✓
- Water monitoring ✓
- Tailings management ✓
- Reclamation (waste rock mined and storage for reclamation) ✓
- Waste management ✓
- Occupational health and safety ✓

B. Social indicators

Workforce analysis

- Employees 1,694 people
- % from 2 local communities close to mine 40%

Job Creation

- New jobs created in 2005 89 people ✓
- Policy of employing from local workforce where possible

Education programmes

- Numbers receiving external education training 87 people
- On graduate and technical degrees 39 graduates 48 technical
- On postal education programmes 67 people ✓
- Special efforts made to recruit and train local workers?

Healthcare

- Annual health screening provided ✓
- Funding provided for employee trips to health resorts 102
- Funding provided for employee children trips to health resorts

Worker accommodation

- Construction of new worker camp through trade union
- Construction of new specialist/technician camp 90 beds
- Engagement with community 16 flats

- Consultation with local community ✓
- Provision of funds to local community ✓
- Provision of funds to local charities ✓

C. Economic indicators

- Total taxes paid during 2005 (US\$'000) 110,473
- Taxes paid direct to National Government (US\$'000) 3,699
- Taxes paid direct to Regional Government (US\$'000) 6,773
- Taxes paid direct to Local Government (US\$'000) 1,001

Health and safety at work

Health and safety is a key priority for the Group and remains a core focus for operating management. The Company has a special service responsible for industrial and labour safety which includes fire and emergency specialists. Members of staff are regularly trained in safety procedures and state authorities, together with independent consultants and auditors, consistently monitor the Company's safety issues. In order to protect its labour force the Group has put a sanitary protection zone in place around the man camp. The Company has a full set of sanitary equipment in line with first aid requirements, a proficient medical service, an emergency ambulance and a contract with the regional district hospital.

Environmental programmes

The Group enjoys an operating environment that is picturesque and relatively untouched by mankind. The aim of the Group's environmental programme is to retain this landscape and we plan to eventually return the licence areas to a state that blends in with the surroundings.

Within this, the Company aims to comply with the best standards of environmental compliance outlined both by the regional authorities and the World Bank.

The Company carries out a rigorous on-site environmental assessment scheme and active endeavours to minimise anthropogenic impact from its mining activities. Qualified specialists within the Group's environmental service are responsible for the rational management and protection of natural resources, ensuring that there is no negative impact on the surrounding vegetation. The conditions of land use and level of its effect on soil and vegetation comply with Russian regulations. The Group ensures atmospheric air protection through the use of special equipment to minimise pollutant formation, the removal of pollutants prior to discharging gases and the suppression of their formation where possible.

Planning and provisioning for rehabilitation is believed to be consistent with best practice and World Bank guidelines.

1. Employee canteen at Pioneer
2. Employee camp at Pokrovskiy mine

Monitoring

Monitoring is conducted to ascertain existing standards are met and to ensure health and safety of employees as well as protection of the local environment. The company has a special laboratory which is in conjunction with facilities belonging to competent authorities and independent organisations, to examine and control the impact of emissions. The Pokrovsky plant is equipped with sensors for prussic acid and the quality of water in the sanitary zone is tested at least once a month. The company also regularly dumps being examined once a month.

Responsibilities

Directors believe the most valuable asset of the Group is the workforce. The maintenance of the asset is thus imperative and the Group provides appropriate human resources department. The company provides its staff with good working conditions while they are on duty, with: a canteen, a laundry, a bath house, a laundry house, a library, a sports facilities. The Group ensures to strictly adhere to the Russian legal requirements regarding salaries, working hours, and various social schemes, including, in cases, medical care and pensions. The mine

staff undergo annual health screens and regular check-ups and work for 15 days, followed by an equal period of rest. Employees receive education at the technical high schools in the Amur Region and those with higher education train at Tomsk Polytechnic University to receive their diplomas.

Returning value to the local community

Social issues in the local community remain at the forefront of the Group's concerns and therefore continual efforts are made to support local institutions. In 2005 over 11 million Russian roubles were donated to organisations in the area, including schools, hospitals and theatres. The school in Tynda, built by Peter Hambro Mining PLC in 2003 receives regular assistance and at the end of 2005 a considerable charitable donation was given to an orphanage in the same town. Cultural programs are organised by the Company to include the general public and encourage successful interaction within the district. The Group's key priority of returning value to the community however can be most easily demonstrated by the high proportion of workers employed from the surrounding area.

International Finance Corporation

The International Finance Corporation (IFC) is the private sector arm of The World Bank Group. The IFC is a substantial equity investor in Peter Hambro Mining PLC. The IFC is a large provider of private sector project finance across the developing world, with a significant involvement in Russia across all sectors and helps clients improve social and environmental sustainability. The IFC has provided this environmental, social development and insurance expertise to PHM as part of their equity investment in the Group. PHM has, since its inception, had a stated ambition to operate to World Bank Group policies and guidelines on social and environmental sustainability. The IFC's equity investment followed a detailed audit of the main operating assets of the Group which is now subject to an annual review and regular supervision by IFC.

THE QUEEN'S AWARDS FOR ENTERPRISE 2006



The Queen's Awards for Enterprise 2006
We are delighted that Peter Hambro Mining PLC has been granted the Queen's Award for Enterprise for the years 2006 to 2011 due to the Company's outstanding success in international trade. It is one of the UK's most prestigious awards acknowledging business achievement and has been granted to the Company for increasing overseas revenue more than threefold to £45 million in three years. Queen's Awards are only granted to enterprises that maintain the highest standards of propriety and conduct their business in a responsible manner.

BOARD OF DIRECTORS

1 Alexei Maslovsky

Executive Director and Treasurer
Mr Maslovsky holds a Bachelor of Arts Degree in Economics from the University of Minnesota and is a Certified Retail Gemmologist and Diamond Grader. He worked for Worldco Financial Services in New York and joined the Group in 2001.

2 Jay Hambro

Business Development Director
Mr Hambro trained in resource finance at NM Rothschild & Sons, based in both London and the US and then moved to the investment banking division of HSBC as a Manager of Metals & Mining corporate finance before joining the Group full time in early 2002.

3 Dr Pavel Maslovsky

Deputy Chairman
Dr Maslovsky was a Professor of Plasticity at the Moscow Aircraft Technology Institute. In 1991 he embarked on a business career and in 1994 became a Chairman of JSC Pokrovskiy Rudnik.

4 Peter Hambro

Executive Chairman
Mr Hambro was a banker and then Deputy Managing Director of Mocatta and Goldsmid, responsible for worldwide marketing of its precious metal dealing, banking and derivative services. In 1990 he founded Peter Hambro PLC as a mining finance house in London. He has been Executive Chairman since the Group's formation in 1994.

5 Philip Leatham

Finance Director
Mr Leatham originally trained with Spicer & Pegler as a Chartered Accountant. He set up his own general accountancy practice in 1985 from which he recently retired. He has worked for the Group since its inception. He is a member of the Audit and Remuneration Committees.

6 Andrey Maruta

Deputy Finance Director
Mr Maruta qualified as a Chartered Certified Accountant at Moore Stephens in 2001. He joined the Group in 2003 as Group Chief Accountant and was appointed Deputy Finance Director in January 2005.

7 Peter Hill-Wood

Non-Executive Director
Mr Hill-Wood is the Chairman of Arsenal Football Club and an advisor to Top Technology Ventures Ltd. He was formerly Vice-Chairman of Hambros Bank and Chairman of its Investment Division. He is the Chairman of the Audit Committee and a member of the Remuneration Committee.

8 Alya Samokhvalova

Director of External Communications
Dr Samokhvalova has a PhD in Economics from the Moscow International High Business School, as well as a Masters in Investment Management (CASS Business School, London). She joined Peter Hambro Mining PLC in July 2002.

9 Sir Rudolph Agnew

Senior Non-Executive Director
Sir Rudolph was Group Chief Executive and Chairman of Consolidated Gold Fields, the second largest gold producer in the Western world in the 1980s. He has also been a Director of Anglo American, Gold Fields of South Africa and Newmont Mining. He is the Chairman of the Remuneration Committee and a member of the Audit Committee.

Our Committee Members

The Audit Committee
Peter Hill-Wood, Chairman
Sir Rudolph Agnew
Philip Leatham

The Remuneration Committee
Sir Rudolph Agnew, Chairman
Peter Hill-Wood
Philip Leatham

FINANCIAL REVIEW

Financial Highlights

Turnover: Group and share of joint ventures
Operating profit
Pre tax profit
Profit retained for the year
Net cash inflow from operating activities
Net Cash pre leasing/sale&lease back
Shareholders' funds
Earnings per ordinary share (US\$)

	Year to 31 December 2005	Year to 31 December 2004	Year to 31 December 2003
US\$'000	US\$'000	US\$'000	US\$'000
114,579	85,502	54,260	
17,490	22,703	13,795	
20,031	24,304	16,257	
13,255	15,318	10,383	
15,719	20,532	11,785	
10.4	21.7	(16.5)	
239,925	200,134	115,633	
0.17	0.22	0.18	

URES ON OPERATING COSTS, SUCH AS WAGE
TION, FUEL, ELECTRICITY AND PLANT
UMABLES RESULTED IN LOWER MARGINS.

AW THE START OF A SUBSTANTIAL EXPANSION
RAME REQUIRING NEW INVESTMENT IN
ING AND MANNING FOR THE DEVELOPMENT
LOMIR, PIONEER AND POKROVSKIY.

RS AND REFURBISHMENT OF EQUIPMENT
RALLY DESTINED FOR THE NEW PROJECTS WAS
A MAJOR EXPENSE ITEM. THE EXPENSING OF
E ITEMS CONTRIBUTED TO THE YEAR-ON-YEAR
TURN IN EARNINGS PER SHARE.

NEGATIVE EFFECTS ARE, AT PRESENT, BALANCED
E IMPROVEMENT IN THE ROUBLE PRICE OF GOLD
BY ECONOMIES OF SCALE.

OMPANY'S BALANCE SHEET GREW AND REMAINS
PLACED TO FUND THE EXPANSION PROGRAMME.

Turnover

Turnover of the Group together with its share in joint ventures increased by 34% compared with last year.

Gold production of the Group rose by 19% in the year 2005 and reached 249,000 ounces (2004 – 209,000 ounces).

The average sales price realised was US\$442/oz (2004 – US\$405/oz). We continue our policy of not hedging the price of gold or holding stocks and therefore the price obtained reflects the open market price at the time of sale. The Group has a policy of selling gold to a number of domestic and international banks to achieve the best price available. The continuing rise of gold price in both dollar and rouble terms contributed additional profitability to the Group.

PHM is one of three Russian gold producers to hold a gold export licence. We currently export gold to two international banks who take receipt in Switzerland. The export licence provides our treasury department with better gold price terms and currency rates than received from Russian domestic banks. The licence is also a pre-requisite for receiving international debt finance.

Results of Operations and Cash cost analysis

Profits after tax and minority interests for 2005 were US\$13.3 million (2004 – US\$15.3 million), which represents earnings per share of US\$0.17/share (2004 – US\$0.22/share). In 2005 the Group experienced rising material and input costs at Pokrovskiy mine and these factors together with expansion programme connected with new projects resulted in somewhat lower than expected profitability and earnings per share.

Nevertheless the Group has actively implemented cost optimisation programmes and, as a result of tight internal cost control, the 2005 Gold Institute Standard ("GIS") Cash Operating Cost for Pokrovskiy is US\$125/oz – a rise of only 17% compared to 2004.

The largest difference year-on-year relates to non-project costs within Russia. The main part of this relates to the operating expenses of the Group's construction and development teams which, within the Group's cash flow, are offset by their appropriate revenue line.

Currency Movements

During the year the rouble continued its appreciation against the dollar. The exchange rates moved from RUR27.75 per US\$1 at 31 December 2004 to RUR28.78 at the year end.

Most of the Group's borrowings are United States dollar denominated whereas non-trade debtors and other receivables are mostly denominated in roubles therefore the movement between these two currencies had a negative effect on our results for the year. Exchange differences included in the Group results amounted to a loss of US\$1.5 million (2004 – gains US\$1.3 million).

Balance Sheet

Total shareholders' funds at the year end were US\$239.9 million increased by 20% (2004 – US\$200.1 million). Retained earnings for the year contributed US\$13.3 million to the shareholders' funds. In addition to the above, the Group issued new shares to the International Finance Corporation, the private sector arm of the World Bank Group contributing to funding new acquisitions and development activities.

Borrowings and Cash Resources

In August 2005 the Group issued US\$140 million of Convertible Bonds due in 2010 (the "Bonds"). The Bonds carry a coupon rate of 7.125% and can be converted into fully paid 1p ordinary shares of the Company.

As a result of the positive operating cash flows and Convertible Bonds issue the Group's cash and bank balances increased from US\$25.9 million at the end of 2004 to US\$144.5 million at 31 December 2005.

Reconciliation of Total Cash Cost at Pokrovskiy Rudnik (US\$/oz) to Financial Statements

	2005 US\$'000	2004 US\$'000
As reported in financial statements		
Total operating expenses	73,759	39,405
Pokrovskiy mine depreciation/amortisation	(7,848)	(5,726)
Other depreciation/amortisation	(1,148)	(936)
Non-cash movement in stock	(5,271)	(1,911)
Non-capitalised exploration expenditure on current operations	(1,300)	(1,029)
Non-Project Russian operating costs, including non-mining	(26,100)	(3,457)
Non-Project London operating costs	(7,880)	(5,492)
Net Silver credits revenue	(169)	(124)
Total GIS cash cost	24,043	20,730
Total GIS cash cost per ounce (US\$/oz)	158.7	134.7
Pokrovskiy Rudnik ounces ('000 oz)	151.5	153.9

3 DIRECTORS' REPORT

DIRECTORS

P. Hambro
el A. Maslovsky
Hambro
P. Maslovsky
Maruta ACCA
dolph Agnew*
Hill-Wood*
W. Leatham*
yia Samokhvalova was appointed by the Board as an Executive Director on 20 October 2005
Executive Director

SECRETARY AND REGISTERED OFFICE

May 2005 Philip W. Leatham ceased to be the Secretary of the Company and on the same day
Karolina Subczynska-Samberger was appointed by the Board as the Secretary of the Company.
day 2006 Heather Williams was appointed by the Board as the joint Secretary of the Company.

Registered Office of the Company remains at 11 Grosvenor Place, London SW1X 7HH.

Directors present their report and the audited financial statements for the year ended
ember 2005.

VIEW OF ACTIVITIES AND FUTURE DEVELOPMENT

Group's principal activities during the year were:

oration, mining of gold and the development of facilities at Pokrovskiy Rudnik.
quisitions, exploration and development of reserves at Pokrovskiy and Pioneer, Malomir and
r north-east belt, Yamal/Zoloto/YGK and portfolio assets.

uation of potential acquisition and joint venture opportunities in gold mining in Russia.

roup issued US\$140,000,000 7.125% convertible bonds in August 2005.

Directors report a consolidated profit for the period of US\$13,255,000 (2004 – profit of US\$15,318,000).
nded has been recommended and the profit for the period has been transferred to reserves.

or future developments are included in the statements of the Chairman and Deputy Chairman.
alance sheet events have been disclosed in Note 39.

DIRECTORS' INTERESTS

Interests of the Directors in the share capital of the Company at the beginning and end of the year
follows:

Hambro, Alexei P. Maslovsky, Andrey Maruta, Alfiya Samokhvalova – no interest as at
ember 2005 or 1 January 2005.

Hill-Wood – owned 0.02% of the Company or 20,000 ordinary shares as at 31 December 2005
ay 2005 – 0.02% of the Company or 20,000 ordinary shares).

Sir Rudolph Agnew – owned 0.01% of the Company or 7,500 ordinary shares as at 31 December 2005
(1 January 2005 – 0.01% of the Company or 7,500 ordinary shares).

Dr Pavel A. Maslovsky – owned directly and beneficially 23.49% of the Company or 18,545,822
ordinary shares as at 31 December 2005. As at 1 January 2005, Dr Pavel A. Maslovsky owned directly
and beneficially 26.82% of the Company or 19,844,524 ordinary shares.

Peter C.P. Hambro – owned beneficially 6.64% of the Company or 5,241,099 ordinary shares as at
31 December 2005. As at 1 January 2005, Peter C.P. Hambro owned beneficially 8.84% of the
Company or 6,539,800 ordinary shares.

Philip W. Leatham – owned 0.32% of the Company or 250,000 ordinary shares as at 31 December 2005
and no interest as at 1 January 2005.

SUBSTANTIAL SHAREHOLDERS

The Directors have been notified of the following substantial shareholders as at 31 December 2005:

Name	Amount of shares	% of issued share capital
Dr Pavel A. Maslovsky and associates	18,545,822	23.49%
Merrill Lynch & Co	8,268,794	10.47%
Eastbourne Capital Management LLC	5,697,557	7.22%
of which Black Bear Offshore Master Fund L.P.	3,783,500	4.79%
Peter C.P. Hambro and associates	5,241,099	6.64%
Landstowne Partners Ltd	4,772,342	6.04%
Viscaria Investments Ltd*	3,717,727	4.71%

*Excluding shares held beneficially by Pavel A. Maslovsky

CORPORATE GOVERNANCE

The Directors are aware of the Combined Code applicable to listed companies. As a Company whose
shares are traded on AIM, the Company is not required to comply with the Combined Code but all
Directors intend to comply with its main provisions as far as is practicable having regard to the size
of the Group.

BOARD STRUCTURE AND ITS COMMITTEES

At 31 December 2005 the Board comprised six Executive Directors, including the Chairman and
Deputy Chairman, and three Non-Executive Directors. Alfiya Samokhvalova was appointed by the
Board as an Executive Director on 20 October 2005. The Board meets quarterly throughout the year
and holds ad hoc meetings as issues arise which require Board attention.

Biographies of the Directors are set out on page 29 of this annual report.

The Chairman, Peter Hambro, conducts Board and shareholder meetings and ensures that all Directors
are properly briefed. The Directors are responsible for formulating, reviewing and approving the
Group's strategy, budgets, major items of capital expenditure and senior personnel appointments.
The Directors have access to independent professional advice at the Company's expense and to the
Company Secretary and receive appropriate training where necessary.

There are transparent procedures for the appointment of new Directors to the Board and all Directors are required to retire by rotation at least every three years when they can offer themselves for re-election if eligible. Andrey Maruta, G. Jay Hambro and Pavel Maslovsky retired and were re-appointed at the last Annual General Meeting on 21 June 2005. In view of the size of the Company, the Directors do not consider the Combined Code recommendation to establish a Nomination Committee appropriate at present. The Company has established Audit and Remuneration Committees, details of which are provided below.

The Company's independent Non-Executive Directors, Sir Rudolph Agnew, Philip Leatham and Peter Hill-Wood, are well-established in the business world and contribute a wealth of experience to the Company. Their involvement in other business ventures and the fact that they do not hold substantial interests in the Company nor have any discloseable relationships with the Company, its shareholders or other Board members allows them to provide an independent and unfettered view of the Company.

AUDIT COMMITTEE

An Audit Committee has been established and currently comprises Peter Hill-Wood as Chairman, Sir Rudolph Agnew, and Philip Leatham. It meets at least twice a year and is responsible for ensuring that the financial performance of the Group is properly reported on and monitored. It liaises with the auditors and reviews the reports from the auditors relating to the accounts and internal control systems.

REMUNERATION COMMITTEE

A Remuneration Committee has been established and currently comprises Sir Rudolph Agnew as Chairman, Peter Hill-Wood and Philip Leatham. Pavel Maslovsky resigned on 1 December 2005 and Philip Leatham was appointed at that date. It reviews the performance of the Executive Directors and sets the scale and structure of their remuneration on the basis of their service agreements with due regard to the interests of the shareholders and the performance of the Group. The Remuneration Committee also makes recommendations to the Board concerning employee incentives, including the allocation of share issues to employees. Directors of the Group are not permitted to participate in discussions or decisions of the committee concerning their own remuneration.

FREQUENCY OF BOARD AND COMMITTEE MEETINGS

Type of meeting	Number of meetings held	Fully attended
Board meeting	10	6
Board Committee meeting	3	–
Audit Committee*	4	4
Remuneration Committee	1	1

*All Audit Committee Meetings were also attended by other Company Directors and the external auditors.

RELATIONS WITH SHAREHOLDERS

Communications with shareholders are considered to be important by the Directors. The Group has an Executive Director of External Communications whose job is to ensure the maximum possible level of transparency between the Group, its shareholders and analysts. The Directors regularly speak to investors and analysts throughout the year. Company circulars and press releases have also been issued throughout the year and since the balance sheet date in relation to various developments and keep investors informed about the Group's progress.

The Company also maintains a website on the internet at www.peterhambro.com which is regularly updated and contains a wide range of information about the Group.

INTERNAL CONTROLS

The Board acknowledges that it is responsible for establishing and maintaining the Group's system of internal controls and for reviewing its effectiveness. The procedures which include, inter alia, financial, operational and compliance matters and risk management are reviewed on an ongoing basis. The internal control system can only provide reasonable and not absolute assurance against material misstatement or loss.

RISKS AND UNCERTAINTIES

The principal risks facing the Company are those relating to the volatility of the gold market, viability of the reserves and resources, price inflation of the raw materials and consumables, reliance on the expertise of the key Company personnel, as well as risks connected with uncertainties of the Russian political and legal systems, including taxation and currency fluctuations.

GOING CONCERN

After making enquiries, the Directors are satisfied that the Group has adequate resources to continue in operational existence for the foreseeable future. For this reason, the Directors continue to adopt going concern basis in preparing the financial statements.

KEY PERFORMANCE INDICATORS

The Company's performance is measured against the Key Performance Indicators (KPIs) as analysed in detail from page 1 of the Report and in the Financial Review. This analysis can be summarised as follows:

- Turnover for the year ended 31 December 2005 has increased by 34% compared with the same period in 2004.
- Attributable gold production has increased by 19% during the 2005 financial year.
- Gold Institute Standard Total Cash Cost is up by only 18% and reached a peak of US\$158.7/oz (2004 – US\$134.7/oz).
- Average realised gold sales price increased from US\$405/oz in 2004 to US\$442/oz in 2005.
- Profit after tax and minority interests for 2005 were US\$13.3 million (2004 – US\$15.3 million).
- Total shareholders' funds at the year end were US\$239.9 million, an increase of 20% (2004 – US\$200.1 million).

REMUNERATION

In addition to complying with the main provisions of the Combined Code as far as is practicable having regard to the size of the Group, the Company is committed to the principles of good governance relating to Directors' remuneration.

REMUNERATION POLICY

The composition of the Remuneration Committee and the terms of reference are detailed above. The remuneration policy is designed to attract, motivate and retain Directors with the necessary skills and experience to manage the Group's operations.

DIRECTORS' REMUNERATION AND INTERESTS IN SHARES

of Directors' interests in shares are set out on page 32.
eration packages of Executive Directors currently comprise basic salary and bonus. At present
company runs pension plans for G. Jay Hambro and Andrey Maruta as disclosed in Note 5.

EMPLOYMENT CONTRACTS

Directors have any service contracts, consultancy agreements or other such arrangements with
period in excess of one year.

PAYMENT POLICY

Group policy to agree and clearly communicate the terms of payment as part of the commercial
ment negotiated with suppliers and then to pay according to those terms based upon receipt
accurate invoice. Trade creditor days for the year ended 31 December 2005 were 40 days on
for the Group and 26 days on average for the Company.

EMPLOYEES

meetings are held with employee representatives to discuss strategies and the financial
of the Group and their own business unit.

Group is committed to provide equal opportunity for individuals in all aspects of employment.

DIRECTORS

October 2005, Moore Stephens, the Company's auditor, transferred its entire business
re Stephens LLP, a limited liability partnership incorporated under the Limited Liability
Partnerships Act 2000. The Directors consented to treating the appointment of Moore Stephens
according to Moore Stephens LLP with effect from 3 October 2005. A resolution to re-appoint
Stephens LLP as the Company's auditor will be put to the forthcoming Annual General Meeting.

Member of the Board

Karolina Subczynska-Samberger
Company Secretary
2006

STATEMENT OF THE DIRECTORS' RESPONSIBILITIES for the year ended 31 December 2005

United Kingdom Company law requires the Directors to prepare financial statements for each financial period which give a true and fair view of the state of affairs of the Company and the Group and of the profit or loss of the Company and the Group for that period. In preparing those financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on a going concern basis unless it is inappropriate to presume that the Group and the Company will continue in business.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for the system of internal control, for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Peter C.P. Hambro
Director
12 May 2006

Pavel A. Maslovsky
Director
12 May 2006

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF PETER HAMBRO MINING PLC

We audited the financial statements of Peter Hambro Mining PLC for the year ended 31 December 2005, set out on pages 37 to 60. These financial statements have been prepared under the historical cost convention, and the accounting policies are set out on pages 43 to 45.

Our report is made solely to the Company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Company's members those matters which we are required by law to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report and the opinions we have formed.

RESPONSIBILITIES OF DIRECTORS AND AUDITORS

In the Statement of Directors' Responsibilities, the Company's Directors are responsible for the preparation of financial statements in accordance with applicable United Kingdom law and the United Kingdom Accounting Standards.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

In our report to you our opinion as to whether the financial statements give a true and fair view and whether they are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding Directors' remuneration and other transactions with the Company and other members of the Group is not disclosed.

We have audited the Directors' Report and the other information contained in the annual report as set out in pages 37 to 60 on the inside front cover and consider the implications for our report if we become aware of any apparent misstatements within it.

BASIS OF OPINION

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

OPINION

In our opinion, the financial statements give a true and fair view in accordance with United Kingdom Generally Accepted Accounting Practice of the state of the affairs of the Company and the Group as at 31 December 2005 and of the Group's profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

St. Paul's House, Warwick Lane, London EC4M 7BP 12 May 2006	Moore Stephens LLP Registered Auditor Chartered Accountants
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CONSOLIDATED PROFIT AND LOSS ACCOUNT
for the year ended 31 December 2005
(expressed in US\$'000)

	Note	2005 US\$'000
Turnover: Group and share of joint ventures		
Less: share of joint ventures' turnover	2	114,579 (23,330)
Group turnover		85,249 (23,330)
Net operating expenses	3	91,249 (73,759)
Operating profit		62,490 (22,429)
Profit on disposal of interest in business	4	17,490
Loss on disposal of interest in joint venture	17	3,822
Share of operating profit in joint ventures	15	(413)
Amortisation of goodwill in joint ventures		2,324
		(1,046)
Profit on ordinary activities before interest and other income		22,177
Interest payable and similar charges	6	(5,953)
Interest receivable and similar income	7	3,807
Profit on ordinary activities before taxation		19,194
Group		837
Joint ventures		3,357
Taxation on profit on ordinary activities		20,031
Profit on ordinary activities after taxation	8	(6,032)
Group		13,985
Joint ventures		14
Minority interests		13,999
Group	27	(527)
Joint ventures		(217)
Profit retained for the year		13,255
Earnings per ordinary share		15,177
Diluted earnings per ordinary share	34	US\$0.17
	34	US\$0.17

The Group's turnover for the year has been generated by the Company's subsidiaries Pokrovskiy Rudnik, NPGF Regis, Koboldo, Kapstroj and YGK (2004 – Pokrovskiy Rudnik and NPGF Regis).

The business of the Group is conducted mainly within one business segment and in one geographic location; consequently no segmental analysis is presented. All operations comprise continuing activities.

There are no recognised gains or losses other than those included in the profit and loss account.

The accompanying notes are an integral part of this profit and loss account.

CONSOLIDATED BALANCE SHEET
 The year ended 31 December 2005
 expressed in US\$'000)

	Note	2005 US\$'000	2004 US\$'000
Fixed assets			
Intangible assets			
Goodwill	9	(176)	(2,776)
Other intangible assets	10	102,231	80,653
Capitalised exploration and development expenditure	11	30,555	10,251
Tangible assets			
Property, plant and equipment	12	74,959	60,579
Investments	14	448	1,399
Investments in joint ventures:	15		
Goodwill		1,467	2,821
Share of gross assets		17,313	21,366
Share of gross liabilities		(8,171)	(10,188)
Loans	16	–	3,400
Current assets		218,626	167,505
Stock and work in progress	13	23,521	17,294
Debtors	17	31,273	17,784
Cash at bank and in hand		144,534	25,854
Creditors, amounts falling due within one year	18	199,328 (18,909)	60,932 (15,607)
Net current assets		180,419	45,325
Total assets less current liabilities		399,045	212,830
Creditors, amounts falling due after one year			
Due to former shareholders of subsidiary	20	–	(3,486)
Long-term borrowings	22	(2,250)	(4,655)
Finance lease liabilities falling due after one year	21	–	(243)
Guaranteed Convertible Bonds	23	(133,920)	–
Provisions	19	(136,170) (18,426)	(2,182)
Net assets		244,449	202,264

CONSOLIDATED BALANCE SHEET
CONTINUED

	Note	2005 US\$'000	2004 US\$'000
Capital and reserves			
Share capital – ordinary shares	24, 26	1,273	1,154
Share premium	26	–	–
Other distributable reserve	26	176,722	176,722
Merger reserve	26	8,755	8,755
Contingent reserve on acquisition	26	3,152	3,152
Share incentive reserve	26	–	–
Equity reserve on bonds	23, 26	1,583	1,583
Profit and loss account	26	48,440	48,440
Equity shareholders' funds		239,925	239,925
Minority interests	27	4,524	4,524
		244,449	244,449

The accompanying notes are an integral part of this balance sheet.

These financial statements were approved by the Board of Directors on 12 May 2006.

On behalf of the Board

Peter C.P. Hambro **Pavel A. Maslovsky**

COMPANY ONLY BALANCE SHEET
 for the year ended 31 December 2005
 expressed in US\$'000)

	Note	2005 US\$'000	2004 US\$'000
Fixed assets			
Tangible assets			
Property, plant and equipment	12	158	188
Investments	14	104,852	79,047
Loans	16	115,372	3,400
		220,382	82,635
Current assets			
Debtors	17	10,622	54,857
Cash at bank and in hand		113,374	20,438
		123,996	75,295
Creditors, amounts falling due within one year	18	(6,700)	(1,808)
		117,296	73,487
Net current assets			
Creditors, amounts falling due after one year			
Long-term borrowing	22	(141,800)	—
		(141,800)	—
Provisions	19	(15,000)	—
Net assets		180,878	156,122
Capital and reserves			
Share capital	24, 26	1,273	1,193
Share premium	26	—	154,252
Other distributable reserve	26	176,722	—
Contingent reserve on acquisition	26	3,152	6,304
Profit and loss account	26	(269)	(5,627)
Equity shareholders' funds	25	180,878	156,122

The accompanying notes are an integral part of this balance sheet.

These financial statements were approved by the Board of Directors on 12 May 2006.

On behalf of the Board

Peter C.P. Hambro

Pavel A. Maslovsky

CONSOLIDATED STATEMENT OF CASH FLOW
for the year ended 31 December 2005
(expressed in US\$'000)

	2005 US\$'000	US\$'000
	Note	
Net cash inflow from operating activities		20,119
Returns on investments and servicing of finance		15,719
Interest received		1,971
Interest paid		(1,292)
Interest element of finance leases		(81)
Dividends paid to minority shareholders		(4,901)
Net cash outflow from returns on investments and servicing of finance		(4,303)
Taxation paid		(3,401)
Capital expenditure and financial investment		(20,919)
Purchase of tangible assets		(19,610)
Expenditure on research/development and mineral properties		(422)
Other investments		86
Proceeds on disposal of tangible assets		(4,011)
Loan granted		18,055
Loan repayments		(2,821)
Net cash outflow on capital expenditure and financial investment		(31,622)
Acquisitions and disposals		(11,652)
Purchase of subsidiary undertakings	33	814
Cash acquired with subsidiaries		–
Proceeds from sales of subsidiary undertakings		–
Investments in joint ventures		(3,000)
Net cash outflow on acquisitions and disposals		(10,838)
Cash outflow before financing		(29,644)
Cash flow from financing activities		(652)
Capital element of finance leases		162,673
Receipts from borrowings		(35,034)
Repayments of amounts borrowed		21,337
Net receipts from issuing shares		148,324
Net cash inflow from financing activities		11,680
Increase in cash at bank and in hand	31	11,680

Major non-cash transactions

During 2005 amounts of US\$930,000 (2004 – US\$1,030,000) of Russian VAT receivable, nil (2004 – US\$61,000) of property tax payable and nil (2004 – US\$11,000) of other taxes payable were set off against corporation tax.

The accompanying notes are an integral part of this cash flow statement.

CONCILIATION OF NET CASH FLOW TO
 MOVEMENT IN NET DEBT (NOTE 32)
 for the year ended 31 December 2005 (expressed in US\$'000)

	Note	2005 US\$'000	2004 US\$'000
Increase in cash at bank and in hand			
Cash (inflow)/outflow from (increase)/decrease in debt and lease financing		118,680	11,027
		(126,986)	25,862
Change in net debt resulting from cash flow		(8,306)	36,889
New finance leases		—	—
Bonds issue cost amortisation		(379)	—
Exchange difference		139	(141)
Movement in net debt in the year		(8,546)	31,746
Net cash/(debt) at 1 January	32	13,271	(18,475)
Net cash at 31 December	32	4,725	13,271

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2005

1. PRINCIPAL ACCOUNTING POLICIES

a) Basis of preparation

The financial statements have been prepared under the historical cost convention and in accordance with applicable UK Accounting Standards.

b) Basis of consolidation

The financial statements consist of Peter Hambro Mining PLC (the "Company") and its respective subsidiary undertakings (the "Group"). On the acquisition of a business, including an interest in a subsidiary undertaking, fair values are attributed to the Group's share of net separable assets. Where the cost of acquisition exceeds the fair values attributable to such net assets the difference is treated as purchased goodwill and capitalised in the balance sheet in the year of acquisition.

c) Comparative figures

Certain comparative figures have been restated to be consistent with the current year's presentation.

d) Currency of financial statements

The financial statements have been presented in US dollars as the US dollar is considered to be the Group's functional currency.

For the purpose of these financial statements other currencies have been translated into US dollars on the following basis:

- Share capital, fixed assets and depreciation at the rate ruling on the date of the relevant transaction.
- Liabilities and current assets at the rate ruling at the end of the accounting year.
- Profit and loss account items, other than depreciation, at the average rate for the year or at the rate ruling at the date of the transaction for significant items.

The accounting records of the Company's Russian subsidiaries and joint venture undertakings are maintained in Russian roubles. All transactions are translated into US dollars at the average annual exchange rate and monetary assets and liabilities are retranslated into US dollars at the current rate at each balance sheet date. All differences are taken to the profit and loss account.

The rates of exchange used to translate year end balances from other currencies into US dollars were as follows (currency per US dollar):

	2005	2004
Sterling	0.58	0.52
Russian rouble	28.78	27.75

Exchange differences arising on the application of the above policy to individual transactions and accounts have been dealt with through the profit and loss account. The representation of figures in US dollars should not be construed as meaning that underlying amounts can or will be settled in US dollars.

e) Goodwill

Goodwill represents the excess of the fair value of consideration given for the purchase of a subsidiary over the fair value of net assets acquired. Amortisation is provided through the profit and loss account on a straight-line basis over the period deemed appropriate by the Directors.

Negative goodwill is accounted for when the fair value of net assets acquired on the purchase of a business exceeds the purchase price. Negative goodwill is initially recorded as a negative asset, after production commences it is then recognised through the profit and loss account on a straight-line basis over the estimated economic life of the mine.

f) Intangible assets and amortisation

Intangible assets are recorded at cost less amortisation and provision for diminution in value. Licences for the exploitation of natural resources are amortised on a straight-line basis over the period of the licence.

g) Exploration and development expenditure

Exploration and development expenditure is recorded at cost less amortisation and provision for diminution in value. When production commences, amortisation is then recognised through the profit and loss account on a straight-line basis over the estimated economic life of the mine. Capitalised exploration and development expenditure is reviewed for impairment at each balance sheet date.

h) Tangible fixed assets and depreciation

Tangible fixed assets are recorded at cost, net of accumulated depreciation. Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost or valuation of each asset on a straight-line basis over its expected useful life as follows:

	Average
Buildings	15
Plant and machinery	3
Vehicles	3
Office equipment	5
Computer equipment	5

Until they are brought into use fixed assets are included within assets under construction and equipment to be installed.

The cost of maintenance, repairs and replacement of minor items of tangible fixed assets are charged to current expenditure. Renewals and betterments are capitalised. Upon sale or retirement of tangible fixed assets, the cost and related accumulated depreciation are eliminated from the accounts. Any resulting gains or losses are included in the profit and loss account.

The cost of tangible fixed assets includes directly attributable finance costs on expenditure incurred during construction. Capitalised finance costs are calculated on a day-to-day basis.

NCIPAL ACCOUNTING POLICIES CONTINUED

stements

ments are stated at cost less provision for impairment.

k and work in progress

used stores and spares are stated at the lower of cost and net realisable value on a unit cost basis. Gold ready for sale is valued at the lower of cost and net realisable value. Costs are attributed to production on an average cost basis. Bullion in process is valued at the lower of cost and net realisable value.

ore (with content less than 3.5g/t), ore in the process of leaching and leached ore are classified as work in progress. Poor ore and ore in the process of leaching are valued at the lower of attributable cost and net realisable value.

ore is valued at the lower of post processing transportation costs (to its current location) and net realisable value. Economical leached ore is classified as work in progress.

ferred stripping costs

ing costs incurred during the production phase to remove waste ore are deferred to the balance sheet and charged to operating costs on the basis of the average life of the mine stripping ratio.

verage stripping ratio is calculated as the number of cubic metres of waste material removed per tonne of ore mined. The average life of the mine ratio is revised annually in the light of additional evidence and change in estimates.

finance and operating leases

held under finance leases are capitalised in the balance sheet and are amortised over the shorter period of the lease and the estimated useful economic lives of the assets. Interest is charged to profit and loss account over the life of the agreement and represents a constant proportion of repayments outstanding.

is paid under operating leases are charged to the profit and loss account as incurred.

revenue recognition

ue is recognised at the point of transfer of ownership of finished products as specified in the contracts.

from bulk sample sales made during the exploration or development phases of operations are recognised as a sale in the profit and loss account.

st of sales

of sales includes the cost of mining gold, transport and other direct expenses.

Exploration and evaluation expenditure is charged to the profit and loss account as incurred except in respect of deposits where:

- it is expected that the expenditure will be recouped by future exploitation or sale; or
- substantial exploration and evaluation activities have identified a mineral resource but these activities have not reached a stage which permits a reasonable assessment of the existence of commercially exploitable reserves.

Where either of the above conditions are met direct expenditure is capitalised. Once production begins capitalised costs are written off to production so as to spread them over total estimated reserves.

o) Taxation

Provision is made for all foreseeable taxation liabilities.

Deferred taxation is calculated so as to recognise the expected future tax consequences of transactions and events recognised in the financial statements of the current and previous periods with the following exceptions:

- Provision is made for the tax that would arise on remittance of the retained earnings of overseas subsidiaries only to the extent that at the balance sheet date dividends have been declared and accrued as receivables.
- Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be taxable profit from which the future reversal of the timing differences can be deducted.

Deferred tax is measured on a non-discounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantially enacted at the balance sheet date.

The tax charge in the profit and loss account includes the charge in respect of the taxable profit for the year calculated under UK taxation laws and foreign profit tax. All other taxes, including those based on gross revenue received, are included in general, administrative and other operating costs in the profit and loss account.

p) Financial instruments

Financial assets and liabilities are recognised on the Group's balance sheet when the Group has become party to the contractual provisions of the instrument.

q) Environment protection, rehabilitation and closure costs

Provision is made for close down, restoration and for environment clean up costs, where there is a legal or constructive obligation to do so. The provision is reviewed on an annual basis for any changes in cost estimates or lives of operations.

r) Defined contribution pension scheme

The Company operates a defined contribution pension scheme for the benefit of its employees. The funds of the scheme are administered by independent trustees and are separate from the Company. Contributions are recognised as they fall due.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

1. PRINCIPAL ACCOUNTING POLICIES CONTINUED

s) Cash

Cash comprises cash in hand and cash balances held in the Group's various bank current or deposit accounts. There are no restrictions over the access and use of these funds, other than those that customarily relate to such periodic deposits.

2. TURNOVER

	Group	
	2005 US\$'000	2004 US\$'000
Group turnover	91,249	62,108
Share of joint venture Omchak	22,805	23,095
Share of joint venture Rudnoye	525	299
	114,579	85,502

Turnover is derived from the Group's principal activity of mining, mineral processing and exploration and dealing in metals and concentrates, principally gold and silver. US\$5,410,000 of the Group's revenue has been derived from construction work carried out for related parties (see Note 28). All proceeds are receivable in the ordinary course of business and are recorded exclusive of Value Added Tax.

The Group's turnover for the year has been generated by Pokrovskiy Rudnik, NPGF Regis, Koboldo, Kapstroï and YGK (2004 – Pokrovskiy Rudnik and NPGF Regis).

3. NET OPERATING EXPENSES

	Group		Company	
	2005 US\$'000	2004 US\$'000	2005 US\$'000	2004 US\$'000
Cost of sales	56,897	30,023	2,007	1,019
Administrative expenses	16,862	9,382	5,951	4,080
	73,759	39,405	7,958	5,099

Included within Group administrative expenses are foreign currency exchange translation losses of US\$1,523,000 (2004 – gains US\$1,334,000) and losses on disposal of fixed assets of US\$139,000 (2004 – gains US\$12,000).

Pokrovskiy Rudnik accounts for US\$44,416,000 of the Group's cost of sales (2004 – US\$27,543,000) and US\$8,606,000 of administrative expenses (2004 – US\$4,999,000).

4. OPERATING PROFIT

Operating profit is stated after charging/(crediting):

	Note	Group		Company	
		2005 US\$'000	2004 US\$'000	2005 US\$'000	2004 US\$'000
Depreciation of tangible fixed assets	12	7,465	4,805	60	–
Less: depreciation capitalised		(424)	(86)	–	–
Amortisation of intangible assets	10	7,041	4,719	60	–
Less: amortisation capitalised		(1)	–	–	–
Negative goodwill amortisation	9	1,955	1,958	–	–
Directors' emoluments	5	3,243	2,013	2,889	1,111
Auditors' remuneration		–	–	–	–
Statutory audit		211	203	211	–
Audit related regulatory reporting		18	46	18	–
Corporate finance advice		–	75	–	–
Taxation		54	27	54	–
Operating leases	38	174	210	174	–
Loss/(profit) on disposal of tangible fixed assets		139	(12)	–	–

Pokrovskiy Rudnik generated US\$28.7 million (2004 – US\$29 million) of operating profit. US\$358,000 of depreciation on tangible fixed assets arose on assets held under finance leases (2004 – US\$671,000).

5. DIRECTORS AND EMPLOYEES

	Group		Company	
	2005 US\$'000	2004 US\$'000	2005 US\$'000	2004 US\$'000
Directors' emoluments	3,243	2,013	2,889	1,111

A defined contribution pension scheme has been implemented for G. Jay Hambro and Andrey Maruta. The scheme is based on the current percentage of net relevant earnings pertaining to G. Jay Hambro of 17.5% of his stated salary and Andrey Maruta of 7% of his stated salary. The total amount payable to the scheme during the year was US\$55,000 (2004 – US\$19,000).

The emoluments for the highest paid Director for the year were US\$880,000 (2004 – US\$496,000).

3 TO THE FINANCIAL STATEMENTS CONTINUED

FACTORS AND EMPLOYEES CONTINUED

costs during the period were as follows:

	Group		Company	
	2005 US\$'000	2004 US\$'000 (as restated)	2005 US\$'000	2004 US\$'000
•				
and salaries – production	8,874	4,668	–	–
and salaries – other	5,824	3,455	1,151	790
security costs	3,756	2,340	472	177
	18,454	10,463	1,623	967
average number of employees (excluding nine Directors (2004 – seven Directors)) during the year was:				
	Group		Company	
	2005	2004	2005	2004
tion	2,162	1,353	–	–
istration	742	334	7	7
	2,904	1,687	7	7

2002 the Group implemented a share incentive scheme. Under this scheme participating employees subscribed for 2,759,368 C ordinary non-voting, non dividend bearing shares in a wholly subsidiary Epymousco Ltd at a par value of £0.01. On 20 July 2005, following the payment uncalled amount of £1.01 on each C share by the participating employees, 2,759,368 ordinary of £0.01 in the Company were issued to the holders in exchange for their C shares.

the Company's subsidiaries, Pokrovskiy Rudnik, agreed to establish a Reserve Bonus Scheme (scheme") for certain senior executives of that company. Under the Scheme participants were awarded freely transferable 'Scheme units' at the end of each year from 2002 to 2012 based on per ounce of gold added to the designated reserves for the Scheme.

ment has been reached with those entitled to participate in the Scheme (the "Eligible Persons") Scheme not to proceed. The Independent Directors, being Sir Rudolph Agnew, Peter Hill-Wood Philip Leatham having taken professional advice and consulted with the Company's nominated , have agreed that the sum of US\$15,000,000 in aggregate (the "Scheme Payment") is fair in satisfaction to the Eligible Persons for the Scheme not proceeding (see Note 19). The Independent also consider that this payment is less than the cost to the Group (as determined by reference estimated net present value of the ongoing payment obligations for the Company under the (e) if the Scheme were to proceed. As the Eligible Persons are senior executives of the Group the of the Scheme Payment is subject to the approval of the Company's shareholders at the Annual Meeting. Peter Hambro and Pavel A. Maslovsky, who were eligible to participate in the , have given up their rights to do so and will not be receiving payment under the Scheme.

skiy Rudnik contributes through social security payments to an employees' Russian state a scheme. This is a defined contribution scheme. In 2005 the Company implemented a defined union pension scheme for its employees.

6. INTEREST PAYABLE AND SIMILAR CHARGES

	Group		Company	
	2005 US\$'000	2004 US\$'000	2005 US\$'000	2004 US\$'000
Finance lease charge	81	1,111	–	–
Commission and interest in respect of sale and lease back transaction (Note 22)	–	496	–	–
Bank loan interest – continued operation	1,085	2,200	66	699
Bonds interest payable	3,879	–	–	–
Bonds issue finance costs amortisation	319	–	–	–
Other loan interest and charges	207	207	4,195	50
Share of joint ventures' interest payable and similar charges	441	487	–	–
	6,012	4,501	4,261	749
	(59)	(840)	–	–
Less finance cost capitalised	5,953	3,661	4,261	749

In August 2005 the Group issued US\$140 million of Convertible Bonds due in 2010 (the "Bonds"). The Bonds carry a coupon rate of 7.125% payable semi-annually in arrears and can be converted into fully paid £0.01 ordinary shares of the Company at the price of 750p per share. If not converted or previously redeemed the Bonds will be redeemed at par on or about 11 August 2010. Commission costs, amortisation and interest expense in relation to these bonds amounted to US\$4,198,000 in 2005.

Accumulated amount of capitalised finance cost was US\$2,046,000 at 31 December 2005 (31 December 2004 – US\$1,987,000). Interest rate applicable to the capitalised finance cost was 10.9% in 2005 (2004 – 11%).

7. INTEREST RECEIVABLE AND SIMILAR INCOME

	Group		Company	
	2005 US\$'000	2004 US\$'000	2005 US\$'000	2004 US\$'000
Other income – continuing operations	217	255	1,486	3,832
Interest receivable	3,590	1,132	10,496	542
	3,807	1,387	11,982	4,374

NOTES TO THE FINANCIAL STATEMENTS
CONTINUED

8. TAXATION

The Company does not anticipate a corporation tax charge for the period as all profits/(losses) arise in its subsidiaries and the Company itself has suffered losses. The tax charge for the subsidiaries was US\$3,686,000 (2004 – US\$5,469,000) for the period ended 31 December 2005, based on a tax rate of 24% and US\$342,000 (2004 – nil) of UK tax on intragroup dividends on a tax rate of 30%.

With the exception of the tax penalties and charges disclosed below the Directors believe that there have been no other material breaches of Russian tax regulations and that these financial statements contain all necessary provisions in respect of the Group's tax liabilities in Russia. However, Russian tax and currency control regulations are in a state of flux and may be subject to differing interpretations by various governmental bodies. Fines and penalties for any errors and omissions could be significant.

	Group	
	2005 US\$'000	2004 US\$'000
Current tax:		
UK corporation tax on profits for the year	–	–
Foreign tax (24%)	3,686	5,469
UK tax on intragroup dividends (30%)	342	–
Tax penalties*	–	1,010
Total current tax	4,028	6,479
Deferred tax:		
Origination and reversal of timing differences	1,182	636
Total deferred tax	1,182	636
Tax related to joint venture Omchak	668	1,222
Profit tax (24%)	154	(85)
Deferred tax charge/(release)	822	1,137
Tax related to joint venture Rudnoye	–	1
Profit tax (24%)	–	1
Tax on profit on ordinary activities	6,032	8,253

*Tax penalties relate to Pokrovskiy Rudnik's breaches of certain Russian Tax regulations for the periods prior to 2003.

The tax assessed for the year is higher than the standard rate of corporation tax. The differences are explained below:

	Group	
	2005 US\$'000	2004 US\$'000
Group profit on ordinary activities before tax	19,194	20
Less: profit from Non-Russian companies	(2,801)	–
Add: loss on the Company's ordinary activities before tax	237	1
Add: loss on other Non-Russian companies' ordinary activities before tax	58	–
	16,688	22
Profit on ordinary activities multiplied by standard rate of corporate tax in Russia of 24% (2004 – 24%)	4,005	5
Capital allowance for year in excess of depreciation	409	–
Interest capitalised for the year	–	–
Indirect costs of stock	(762)	(1)
Investment disposals	–	–
Lease charge	(159)	–
Exchange difference	(441)	–
Tax losses	401	–
Expenses not deductible for tax purpose	726	–
UK tax on intragroup dividends	342	–
Adjustment to tax charge in respect of previous year	71	–
Deferred stripping costs	(564)	–
	4,028	5
	–	–
Deferred tax		
Fixed assets timing differences	280	1
Differences in tax values of stock	(100)	1
Development expenses timing differences	107	–
Timing difference on investments	111	–
Timing differences on lease operations	522	–
Timing difference on sale and lease back transactions	336	(1)
Other timing differences	(74)	–
	1,182	–

DDWILL

	Group 2005 US\$'000
January 2005	(2,776)
ill arising on acquisition of Koboldo (Note 33)	(176)
ill released on disposal of 15% share in JV Omchak	2,776
December 2005	(176)
sation	
January 2005	-
December 2005	-
ok value	
January 2005	(2,776)
December 2005	(176)

ember 2005 the Group's share of the joint venture Omchak was decreased to 50% in
 nce with the original joint venture agreement. As a result of the disposal negative goodwill
 2,776,000 has been released. No share of the negative goodwill was previously recognised in
 fit and loss account.

HER INTANGIBLE ASSETS

	Group 2005 US\$'000
January 2005	87,380
ons as a result of acquisition of a subsidiary (Note 33)	3,692
ons	15,824
ares issued (contingent shares, Note 24)	5,198
al arising on additional acquisition of Pokrovskiy Rudnik shares	(1,180)
December 2005	110,914
sation	
January 2005	6,727
for the year	1,955
d and capitalised for the year	1
	8,683

10. OTHER INTANGIBLE ASSETS CONTINUED

	Group 2005 US\$'000
At 31 December 2005	
Net book value	80,653
At 1 January 2005	
At 31 December 2005	102,231

Other intangible assets comprise mineral properties such as gold licences and rights over other
 mineral resources.

11. CAPITALISED EXPLORATION AND DEVELOPMENT EXPENDITURE

	Group 2005 US\$'000
Cost	
At 1 January 2005	10,251
Additions as result of acquisition (Note 33)	1,759
Additions	18,545
At 31 December 2005	30,555
Amortisation	
At 1 January 2005	-
At 31 December 2005	-
Net book value	
At 1 January 2005	10,251
At 31 December 2005	30,555

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Company	Furniture, fixtures, fittings and others US\$ '000	
Cost		
At 1 January 2005		247
Additions		30
At 31 December 2005		277
Depreciation		
At 1 January 2005		59
Charge for the year		60
At 31 December 2005		119
Net book value		
At 31 December 2004		188
At 31 December 2005		158

13. STOCK AND WORK IN PROGRESS

	US\$'000	US\$'000 (as restated)	US\$'000
Stores and spares	7,032	4,405	—

Bullion in process	6	16
	23,521	17,294

	Group	
	2005 US\$'000	2004 US\$'000
2005	2005	2004
US\$'000	US\$'000	US\$'000

Work in progress to be completed within one year	8,948	9,219
Work in progress to be completed after more than one year	7,535	3,654

	Group		C
	2005 US\$'000	2004 US\$'000 (as restated)	2005 US\$'000
Stores and spares	7,032	4,405	—
Work in progress	16,483	12,873	—
Bullion in process	6	16	—
	23,521	17,294	—
			3
	Group		C
	2005 US\$'000	2004 US\$'000 (as restated)	2005 US\$'000
Work in progress to be completed within one year	8,948	9,219	—
Work in progress to be completed after more than one year	7,535	3,654	—
	16,483	12,873	—

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ESTIMENTS

	Group		Company	
	2005 US\$'000	2004 US\$'000	2005 US\$'000	2004 US\$'000
ents – other	447	36	–	–
in subsidiaries and joint ventures	1	1,363	104,852	79,047
	448	1,399	104,852	79,047
ent in shares in subsidiaries and joint ventures is as follows:				
January 2005	1,363		79,047	
dated on 1 January 2005	(500)		–	
Management Company PHM (MC PHM)	(862)		–	
ns				
okrovskiy Rudnik additional 0.93%	–		597	
okrovskiy Rudnik – Pioneer deposit	–		15,000	
Cyprus) Ltd – contingent shares issued	–		5,199	
mousco Ltd – C shares	–		23	
Holdings Ltd	–		23	
1 December 2005	1		104,852	

company and the Group have the following material investments. These investments were consolidated
 e financial statements.

Principal subsidiary and joint venture undertakings	Country of incorporation	Principal activity	Principal country of operation	Effective proportion of shares held
Held directly by the Company				
Eponymousco Ltd	United Kingdom	Holding Company	United Kingdom	100%
Victoria Resources Ltd*	United Kingdom	Holding Company	United Kingdom	100%
Peter Hambro Mining Group Finance Ltd	Guernsey	Finance Company	United Kingdom	100%
Yamal Holdings Ltd	Cyprus	Holding Company	Cyprus	100%
Peter Hambro Mining (Cyprus) Ltd	Cyprus	Holding Company	Cyprus	100%
ZAO Management Company PHM	Russia	Holding Company	Russia	100%
OOO Olga	Russia	Gold exploration and production	Russia	100%
OAO Pokrovskiy Rudnik**	Russia	Gold exploration and production	Russia	98.6%
ZAO ZRK Omchak (Joint Venture)	Russia	Gold exploration and production	Russia	50%
Held indirectly via 100% owned subsidiaries				
OOO Tokurskiy Rudnik	Russia	Gold exploration and production	Russia	100%
OOO GRK Victoria	Russia	Gold exploration and production	Russia	100%
OAO ZDP Koboldo	Russia	Gold exploration and production	Russia	91.7%
ZAO PHM Engineering	Russia	Project and engineering services	Russia	75%

NOTES TO THE FINANCIAL STATEMENTS
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14. INVESTMENTS CONTINUED

Principal subsidiary and joint venture undertakings	Country of incorporation	Principal activity	Principal country of operation	Effective proportion of shares held
Held indirectly via Pokrovskiy Rudnik				
OAO YamalZoloto****	Russia	Gold exploration and production	Russia	98.7%
OOO NPGF Regis	Russia	Exploration work	Russia	51%
OOO Rudnoye (Joint Venture)	Russia	Gold exploration and production	Russia	49%
OOO Kapstroï	Russia	Construction	Russia	98.6%
OAO Yamalskaya Gornaya Kompania ("YGK")	Russia	Gold exploration and production	Russia	73.9%

*The Company holds 50% of the Group's total holding of 100% of Victoria Resources Ltd. The other 50% of the share capital is held by Eponymousco Ltd. Victoria Resources Ltd has a 100% subsidiary GRK Victoria which is a holder of a gold exploration and production licence over the Chagoyansk greenfield deposit.

**The Company holds 45.50% (2004 – 44.57%) of the Group's total holding of 98.61% (2004 – 97.68%) of the ordinary share capital of Pokrovskiy Rudnik. The further 53.11% of the share capital is held by Eponymousco Ltd (2004 – 53.11%). In December 2005 the Company acquired an additional 0.93% that was previously held by the Committee of Property Management of the Magdagachi District of the Amur Region of the Russian Federation. The stake was auctioned as part of a privatisation programme in December 2005. As a result of this the Group's stake in Pokrovskiy Rudnik has increased to 98.61%. The acquisition price was RUR17.2 million (c US\$597,000).

***The Company holds 10% of the Group's total holding of 98.7% (2004 – 88%) of YamalZoloto through a 100% subsidiary Yamal Holdings Ltd. The further 88.7% of the share capital is held by Pokrovskiy Rudnik (2004 – 88%).

In June 2005 the Company set up a wholly owned subsidiary Peter Hambro Mining Group Finance Ltd. The sole purpose of the subsidiary is to issue and service the convertible Bonds (see Note 23). Peter Hambro Mining Group Finance Ltd has been consolidated in these financial statements.

In January 2005 the Company set up a wholly owned subsidiary Yamal Holdings Ltd. Yamal Holdings Ltd has been consolidated in these financial statements.

In June 2005 Tokurskiy Rudnik acquired 91.66% of Koboldo for a consideration of US\$288,000. Koboldo has been consolidated in these financial statements.

In July 2005 MC PHM set up a 75% subsidiary PHM Engineering. The main activity of PHM Engineering is to provide project and engineering services for the Group and third parties. PHM Engineering has been consolidated in these financial statements.

In February 2005 Pokrovskiy Rudnik set up a wholly owned construction company Kapstroï. Kapstroï is intended to carry on construction activities for the Group as well as for third parties. Kapstroï has been consolidated in these financial statements.

In September 2005 YamalZoloto subscribed for 74.87% of new shares issue in Yamalskaya Gornaya Kompania (YGK), that owned 10% of YamalZoloto at the date of acquisition. In December 2005 YGK disposed of this 10% to Yamal Holdings Ltd.

15. INVESTMENTS IN JOINT VENTURES

The Group's share of the net assets of its joint ventures comprise the following:

	Joint venture Omchak 2005 US\$'000	Joint venture Rudnoye 2005 US\$'000	Total 2005 US\$'000
Goodwill	1,467	–	1,467
Intangible assets	1,220	833	2,053
Fixed assets	2,806	39	2,845
Current assets	12,238	177	12,415
Total gross assets	17,731	1,049	18,780
Liabilities due within one year	(5,821)	(122)	(5,943)
Liabilities due after one year or more, including minority interest	(1,282)	(946)	(2,228)
Total gross liabilities	(7,103)	(1,068)	(8,171)

The Group's share of the results of Joint Venture Omchak for the year were as follows:

	Joint venture Omchak 2005 US\$'000
Turnover	22,
Profit before tax	
Tax	
Profit after tax	

The Omchak joint venture was originally created for the purpose of bidding for a mining licence. Under the Omchak joint venture agreement the Russian shareholders (Susumanzoloto and Shkolno) are required to ensure that their assets contributed to the joint venture generate income sufficient to declare and pay dividends in the first five years of the joint venture's operations of not less than US\$7,200,000 in aggregate. If the required level of dividends is not paid the Group's interest in the joint venture will be increased.

The amount of dividends paid during 2004 was US\$321,728 and the Group's interest in the joint venture increased to 65% in April 2004 in accordance with the terms of the original joint venture agreement. As a result of the payment of dividends for 2003 and 2004 in December 2005 the Group's interest in the joint venture returned to its original 50% shareholding. The Group suffered a loss of US\$413,000 from the disposal of 15% in the joint venture holding.

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INVESTMENTS IN JOINT VENTURES CONTINUED

Group's interest in Ormchak is treated as an investment in a joint venture as it is jointly controlled by Group and the other Russian shareholders under a contractual agreement. Fluctuations in the share interest in the joint venture do not change joint control over Ormchak as none of the parties control the entity.

ASSETS

Assets falling due after more than one year

	Group		Company	
	2005 US\$'000	2004 US\$'000	2005 US\$'000	2004 US\$'000
Group undertakings	-	-	115,372	-
Group undertakings issued to Aricom PLC	-	3,400	-	3,400
	-	3,400	115,372	3,400

Group's interest in Aricom PLC bore interest at 8% per annum and was secured against 1,000 issued and fully ordinary shares of Russian Titan Company Ltd, representing 100% of the issued share capital. Aricom was repaid on 18 March 2005 (Note 28).

Assets to the Group undertakings are normally for a period of three years with an interest rate ranging from 10% to 15%. Loans can be prolonged at the discretion of the Company.

LIABILITIES

Liabilities falling due within one year

	Group		Company	
	2005 US\$'000	2004 US\$'000	2005 US\$'000	2004 US\$'000
Group undertakings	8,950	4,655	-	140
Group undertakings	9,480	7,325	109	44
Group undertakings	-	-	8,024	54,541
Group undertakings	5,630	2,247	276	132
Group undertakings	1,913	291	1,498	-
Group undertakings	4,000	-	-	-
Group undertakings	-	-	715	-
Group undertakings	1,007	822	-	-
Group undertakings	293	2,444	-	-
	31,273	17,784	10,622	54,857

Group's interest in Hainault Ltd comprises the proceeds of US\$4 million receivable from the disposal of 24% holding in Hainault Ltd. The consideration was subsequently received from Hainault Ltd on 18 March 2006.

17. DEBTORS CONTINUED

Loans issued in 2004 included an amount of nil (2004 - US\$2 million) to Interomax (Note 28). The loan was repaid in February 2005.

US\$25,021,000 of debtors are Russian rouble denominated (2004 - US\$15,426,000).

An interest rate analysis of loans issued is set out in Note 36.

18. CREDITORS

Amounts falling due within one year

	Group		Company	
	2005 US\$'000	2004 US\$'000 (as restated)	2005 US\$'000 (as restated)	2004 US\$'000 (as restated)
Trade creditors	4,139	2,093	403	125
Tax liability	1,174	1,418	-	-
Finance lease liabilities (Note 21)	243	652	-	-
Accrued interest on Bonds issued	3,879	-	-	-
Short-term loans	174	4,137	-	-
Short-term element of long term loans (Note 22)	3,222	2,895	-	-
Due to former shareholders of subsidiary (Note 20)	-	1,516	-	-
Due to Group undertakings	-	-	4,254	519
Due to MC PHM (Note 33)	-	432	-	432
Other creditors	6,078	2,464	2,043	732
	18,909	15,607	6,700	1,808

US\$8,602,000 of total creditors are Russian rouble denominated (2004 - US\$10,096,000).

NOTES TO THE FINANCIAL STATEMENTS
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19. PROVISIONS

	Group		Company	
	2005 US\$'000	2004 US\$'000	2005 US\$'000	2004 US\$'000
Provision for restoration and closing costs	171	128	-	-
Deferred tax provision	3,255	2,054	-	-
RBS holders	15,000	-	15,000	-
	18,426	2,182	15,000	-
Provision at 1 January	2,182	1,504	-	-
Charge for restoration cost	43	42	-	-
Deferred tax charge in profit and loss account for year (Note 8)	1,182	636	-	-
Deferred tax as a result of acquisition (Note 8)	19	-	-	-
Addition (RBS holders) (Note 5)	15,000	-	15,000	-
Provision at 31 December	18,426	2,182	15,000	-

The Company has unrealised management expenses of US\$4,200,000 at 31 December 2005 (31 December 2004 – US\$4,200,000) which has resulted in a potential deferred tax asset of US\$1,200,000 at the balance sheet date (2004 – US\$1,200,000).

20. DUE TO FORMER SHAREHOLDERS OF SUBSIDIARY

	Group		Company	
	2005 US\$'000	2004 US\$'000	2005 US\$'000	2004 US\$'000
Short-term element	-	1,516	-	-
Long-term element	-	3,486	-	-
	-	5,002	-	-

The amount due to former shareholders comprised dividends payable by Pokrovskiy Rudnik, of which nil (2004 – US\$3,485,929) is owed to Pavel A. Maslovsky and the management of Pokrovskiy Rudnik. During 2005 the total amount of dividends outstanding was paid to the former shareholders.

21. FINANCE LEASE LIABILITIES

	Group		Company	
	2005 US\$'000	2004 US\$'000	2005 US\$'000	2004 US\$'000
Short-term element	256	733	-	-
Finance charge allocated to future periods	(13)	(81)	-	-
	243	652	-	-
Due between 1–2 years	-	256	-	-
Due between 2–3 years	-	-	-	-
Finance charge allocated to future periods	-	(13)	-	-
	-	243	-	-
Total obligation	243	895	-	-

22. LONG-TERM BORROWINGS

	Note	Group		Company	
		2005 US\$'000	2004 US\$'000	2005 US\$'000	2004 US\$'000
Due in less than 1 year		3,222	2,895	-	-
Due between 1–2 years		2,005	2,895	-	-
Due between 2–3 years		245	1,760	-	-
Due between 3–5 years		-	-	141,800	-
		5,472	7,550	141,800	-
Short-term element	18	3,222	2,895	-	-
Long-term element		2,250	4,655	141,800	-
		5,472	7,550	141,800	-

As at 31 December 2005, the only long-term loans outstanding were three loans from Moscow International Bank repayable by instalments until 2007. The loans are US dollar denominated and arose as a result of sale and lease back transactions in 2004. An interest rate profile of the Group's borrowings is shown at Note 36.

The Company has an intra group loan of US\$135,900,000 from Peter Hambro Mining Group Finance Ltd. The loan matures on 11 August 2010 and bears an interest rate of 7.98%.

GUARANTEED CONVERTIBLE BONDS

	Note	Group		Company	
		2005 US\$'000	2004 US\$'000	2005 US\$'000	2004 US\$'000
Issued		140,000	-	-	-
Equity component	26	(1,583)	-	-	-
Bonds issue cost deferred		(4,876)	-	-	-
Issue cost amortisation for the period		379	-	-	-
Between 3-5 years		133,920	-	-	-
Issue costs allocated to future periods		138,417	-	-	-
		(4,497)	-	-	-
Guaranteed convertible bonds		133,920	-	-	-

On 1 August 2005 the Group issued US\$140 million of convertible bonds due in 2010 (the "Bonds"). The Bonds were issued at par by the Company's wholly owned subsidiary Peter Hambro Mining Group Ltd and are guaranteed by the Company. The Bonds carry a coupon rate of 7.125% payable annually in arrears and can be converted into fully paid ordinary shares of £0.01 each of the Company at the price of £7.56 per share. If not converted or previously redeemed the Bonds will be redeemed at par on or about 11 August 2010.

The discount value of the liability component is calculated using a discount rate of 7.4%, the market interest rate for similar bonds with the same maturity and conversion rights. The difference between the proceeds of the bonds issue and the fair value of the liability is assigned to the equity component.

24. CALLED UP EQUITY SHARE CAPITAL

	Company	
	2005 US\$'000	2004 US\$'000
Ordinary shares		
Allotted, called up and fully paid:		
At the beginning of the period	1,193	1,010
Contingent shares issued in relation to acquisition of Peter Hambro Mining (Cyprus) Ltd*	13	-
Shares issued in relation to acquisition of C shares of Epymousco Ltd**	40	-
Other new issues***	27	183
At the end of the year	1,273	1,193

	Company	
	No. '000	No. '000
Number of shares (par value £0.01)		
Authorised	100,000	100,000
Issued at the beginning of the period	73,999	63,999
Contingent shares issued in relation to acquisition of Peter Hambro Mining (Cyprus) Ltd*	750	-
Shares issued in relation to acquisition of C shares of Epymousco Ltd**	2,759	-
Other new issues***	1,449	10,000
At the end of the year	78,957	73,999

	Company	
	2005 US\$'000	2004 US\$'000
Convertible C shares of Epymousco		
Allotted, called up and fully paid:		
At the beginning of the year	40	40
Exchanged for new ordinary shares issue**	(40)	-
At the end of the year	-	40
Number of shares (par value £0.01)		
Authorised	No. '000	No. '000
At the beginning of the year	2,759	2,759
Exchanged for new ordinary shares issue**	2,759	2,759
	(2,759)	-
At the end of the year	-	2,759

* In June 2003 6,000,000 shares in the capital of the Company were issued in exchange for the total issued share capital of Peter Hambro Mining (Cyprus) Ltd. A contingent issue of 1,500,000 such shares in respect of the acquisition of Peter Hambro Mining (Cyprus) Ltd was accounted as a separate contingent reserve on acquisition. Under the terms of the acquisition agreement as amended, the Company issued 750,000 such shares on 20 July 2005 to Reagrove, the vendor, in part settlement of its obligation to issue a total of 1,500,000 such shares in respect of the acquisition.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

24. CALLED UP EQUITY SHARE CAPITAL CONTINUED

**On 20 July 2005, following the payment of the uncalled amount of £1.01 on each C share by the participating employees, 2,759,368 ordinary shares of £0.01 in the Company were issued to the holders in exchange for their C shares.

***In April 2005 the Company issued 1,448,545 shares at an issue price of £5.50 per share to the International Finance Corporation, the private sector arm of the World Bank Group.

As a result of these transactions a share premium of US\$28.1 million after commissions and share issue costs of US\$0.1 million was created (Note 26).

25. RECONCILIATION OF EQUITY SHAREHOLDERS' FUNDS

	Group		Company	
	2005 US\$'000	2004 US\$'000	2005 US\$'000	2004 US\$'000
Ordinary share issued	28,145	69,183	28,145	69,183
Contingent shares	(3,152)	-	(3,152)	-
Equity reserve on bonds	1,583	-	-	-
Share incentive reserve	(40)	-	-	-
Profit/(loss) for the year	13,255	15,318	(237)	(1,892)
Net changes in shareholders' funds	39,791	84,501	24,756	67,291
Opening shareholders' funds	200,134	115,633	156,122	88,831
Closing shareholders' funds	239,925	200,134	180,878	156,122

As permitted by Section 230 of the Companies Act 1985, the individual profit and loss account of the Company is not presented as a part of these accounts.

The availability of the Group's reserves for distribution will be determined, to the extent that they include reserves held in the Russian subsidiary and joint venture undertakings, by applicable legislation in Russia and in accordance with the Russian subsidiary and joint venture undertakings' statutory financial statements. The Russian subsidiary and joint venture undertakings' statutory financial statements are prepared in accordance with Russian accounting regulations. These differ significantly from UK GAAP. The distributable reserves may therefore differ significantly from the figure shown above.

26. RESERVES

Group	Share capital US\$'000	Share premium US\$'000	Other distributable reserve US\$'000	Merger reserve US\$'000	Contingent reserve on acquisition US\$'000	Share incentive reserve US\$'000	Equity reserve on bonds US\$'000	Profit and loss account US\$'000
Balance as at 31/12/2003	1,010	85,252	-	8,755	6,304	40	-	115,272
New shares issued	183	73,227	-	-	-	-	-	73,227
Share issue costs incurred in the year	-	(4,227)	-	-	-	-	-	(4,227)
Profit for the year	-	-	-	-	-	-	-	15,318
Balance as at 31/12/2004	1,193	154,252	-	8,755	6,304	40	-	200,759
New shares issued	27	14,898	-	-	-	-	-	14,925
Share issue costs incurred in the year	-	(117)	-	-	-	-	-	(117)
Contingent shares issued in relation to acquisition of Peter Hambro Mining (Cyprus) Ltd	13	8,338	-	-	-	-	-	8,351
Shares issued in relation to acquisition of C shares of Epymousco Ltd	40	4,946	-	-	-	(40)	-	4,906
Transfer to other distributable reserve*	-	(148,625)	148,625	-	-	-	-	-
Transfer to other distributable reserve*	-	(28,097)	28,097	-	-	-	-	-
Transfer to profit and loss account*	-	(5,595)	-	-	-	-	-	5,595
Issue of contingent shares	-	-	-	-	(3,152)	-	-	(3,152)
Equity reserve on bonds	-	-	-	-	-	-	1,583	1,583
Profit for the year	-	-	-	-	-	-	-	13,255
Balance as at 31/12/2005	1,273	-	176,722	8,755	3,152	-	1,583	239,440

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SERVES CONTINUED

	Share capital US\$'000	Share premium US\$'000	Other distributable reserve US\$'000	Contingent reserve on acquisition US\$'000	Profit and loss account US\$'000	Total Equity shareholders' funds US\$'000
as at 31/12/2003	1,010	85,252	-	6,304	(3,735)	88,831
Share issue	183	73,227	-	-	-	73,410
Share issue costs incurred	-	(4,227)	-	-	-	(4,227)
Share issue for the year	-	-	-	-	(1,892)	(1,892)
as at 31/12/2004	1,193	154,252	-	6,304	(5,627)	156,122
Share issue	27	14,898	-	-	-	14,925
Share issue costs incurred	-	(117)	-	-	-	(117)
Share issue for the year	-	-	-	-	-	-
Share issue to acquire shares issued in relation to acquisition of shares of Hambro Mining (Norus) Ltd	13	8,338	-	-	-	8,351
Share issue in relation to acquisition of C shares of Gynymouso Ltd	40	4,946	-	-	-	4,986
Share issue to other distributable	-	(148,625)	148,625	-	-	-
Share issue to other distributable	-	(28,097)	28,097	-	-	-
Share issue to other distributable	-	(5,595)	-	(3,152)	5,595	(3,152)
Share issue to other distributable	-	-	-	-	(237)	(237)
Share issue for the year	-	-	-	-	-	-
Share issue as at 31/12/2005	1,273	-	176,722	3,152	(269)	180,878

At resolution was passed by the Company on 21 June 2005 to cancel the Share Premium Account. A Petition was presented on 21 June 2005 and heard at the High Court on 24 August 2005. The Order of Court on Cancellation of the Share Premium was registered on 25 August 2005 and the cancellation then took effect.

On 24 August 2005 stood at US\$182,317,037. Of this, US\$148,625,184 was transferred to the Share Premium Account and US\$33,691,853 was credited to the profit and loss account to eliminate accumulated losses as stated in the financial statements. The balance of US\$28,096,817 was credited to Other Distributable Reserve where it was amalgamated with the Reserve.

27. MINORITY INTERESTS

	2005 US\$'000	2004 US\$'000
At the beginning of the year	2,130	733
Minority interest arising on acquisition of subsidiary undertakings	1,867	1,184
Dividends payable	-	(113)
Minority interest in net profit of subsidiary undertakings	527	326
At the end of the year	4,524	2,130

All minority interests are equity interests.

28. RELATED PARTY TRANSACTIONS

The Group had the following related party transactions during the year (VAT is included where applicable):

Related party	Description	Movement for the year 2005 US\$'000	Amount due from/(due to) 2005 US\$'000	Movement for the year 2004 US\$'000	Amount due from/(due to) 2004 US\$'000
Peter Hambro Ltd	Management and accommodation charge	(223)	40	(74)	(12)
Aricorn PLC and subsidiaries	Loan facility	(3,400)	-	786	3,400
	Services to Kapstroj	(49)	-	-	-
	Rent to Kapstroj	(724)	-	-	-
	Purchases by Kapstroj	(19)	-	-	-
	Interest income	64	-	193	-
	London expenses recharged	143	30	175	122
	Geological work	1,246	56	286	-
	Construction materials	5	-	-	-
	Expenses recharged	37	-	229	229
	Sale of assets	430	-	-	-
	Construction services	5,014	2,924	-	-
Total Aricorn PLC		2,747	3,010	1,669	3,751

AMK	Loan to Kapstroj	(174)	(174)	-	-
	Construction services	396	197	-	-
	Services rendered	(6)	(28)	(20)	(24)
Total AMK		(216)	(5)	(20)	(24)
Former shareholders of subsidiary	Dividends due	3,486	-	(202)	(3,486)
Tynda Forest Holdings Ltd	Loan to Interomax	(2,041)	-	748	2,041

NOTES TO THE FINANCIAL STATEMENTS
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28. RELATED PARTY TRANSACTIONS CONTINUED

Peter Hambro Ltd, formerly Peter Hambro plc, is considered a related party due to Peter C.P. Hambro's 51% holding in that company.

Aricom PLC is considered a related party due to Peter C.P. Hambro and Pavel A. Maslovsky's shareholdings and directorships in that company.

AMK is considered a related party due to Peter C.P. Hambro and Pavel A. Maslovsky's shareholdings in that company.

Tynda Forest Holdings Ltd is considered a related party due to Peter C.P. Hambro and Pavel A. Maslovsky's shareholdings and directorships in that company.

Peter C.P. Hambro, Pavel A. Maslovsky and certain management of Pokrovskiy Rudnik are the participants of a Reserve Bonus Scheme. Details of the scheme are set out in Note 5.

An ultimate controlling party of the Company has not been identified.

As permitted by FRS 8 the Group decided not to disclose those transactions and balances between group entities that have been eliminated on consolidation.

29. NET CASH INFLOW FROM OPERATING ACTIVITIES

Group	2005 US\$'000	2004 US\$'000
Cash received from customers	91,227	62,155
Cash paid to suppliers and employees	(57,462)	(27,914)
Other proceeds	215	255
Other expenses	(18,261)	(13,964)
Net cash inflow from operating activities	15,719	20,532

30. RECONCILIATION OF OPERATING RESULT TO OPERATING CASH FLOW

Group	2005 US\$'000	2004 US\$'000
Operating profit before tax and minority interest	19,194	20,743
Adjusted for:		
Depreciation	7,041	4,077
Amortisation of intangibles	1,955	(5,317)
Restoration cost provision	43	(4,407)
Interest payable and similar charges	5,193	15,719
Bond issue related charges	379	20,532
Interest receivable	(3,590)	(1,114)
Loss/(gain) on disposals of fixed assets	139	(1,114)
Profit on disposal of business	(3,822)	(1,114)
Loss on disposal of 15% of JV Omchak	412	(1,114)
Elimination of unrealised profit in joint venture	(1)	(1,114)
Exchange differences in respect of finance activity	(139)	(1,114)
Exchange differences in respect of investment activity	40	(1,114)
Exchange differences in respect of minority shareholders' dividends	(101)	(1,114)
Goodwill amortisation	-	(1,114)
Operating profit before working capital changes	26,743	29,743
(Increase) in debtors	(10,114)	(5,317)
(Increase) in stock	(5,317)	(4,407)
Increase in creditors	4,407	15,719
Net cash inflow from operating activities	15,719	20,532

31. RECONCILIATION OF CASH FLOW TO NET CASH

Analysis of balances as shown in the balance sheet and changes during the year.

Group	2005 US\$'000	2004 US\$'000
Cash at the beginning of the year	25,854	14,680
Cash flows for the year	118,680	11,114
Cash at the end of the year	144,534	25,794

ALYSIS OF NET CASH

	At 1 January 05 US\$'000	Cash flow US\$'000	Other non-cash changes US\$'000	Exchange movement US\$'000	At 31 December 05 US\$'000
in hand and at the bank	25,854	118,680	-	-	144,534
ue within one year	(4,138)	3,825	-	139	(174)
ue after one year	-	(140,000)	-	-	(140,000)
quity component	-	1,583	-	-	1,583
issue cost capitalised	-	4,876	(379)	-	4,497
		(11,036)	(379)	139	10,440
ebt/cash including leasing	13,271	2,730	-	-	(5,715)
sh including leasing	13,271	(8,306)	(379)	139	4,725

QUISITION OF SUBSIDIARY UNDERTAKINGS

Yamalskaya Gornaya Kompania

ember 2005 YamalZoloto subscribed for 74.87% of the issued share capital of Yamalskaya
 a Kompania (YGK) for a consideration of US\$10.8 million.

ir values of the assets and liabilities on the date of acquisition were:

	Yamalskaya Gornaya Kompania Book value US\$'000	Fair value adjustment US\$'000	Total US\$'000
ble assets (Note 10)	-	3,192	3,192
ised exploration and development expenditure (Note 11)	1,759	-	1,759
assets	408	-	408
ments	8	-	8
s	368	-	368
s	9,129	-	9,129
s	359	-	359
ors	(796)	-	(796)
ax payable	(60)	-	(60)
line of net assets acquired	11,175	3,192	14,367
Minority interest			(3,610)
			10,757
eration			10,757
			10,757

Profit after taxation in YGK only for the period from 1 January 2005 to 30 September 2005,
 being the period from the beginning of the acquired entity's financial year to the date of acquisition
 was US\$454,000. Profit after taxation for the year ended 31 December 2004 was US\$5 million and
 included net profit of US\$5.2 million on disposal of YamalZoloto to the Group in 2004.

(b) Koboldo

In June 2005 Tokunskiy Rudnik acquired 91.66% of Koboldo for a consideration of US\$288,000. This
 company is a gold alluvial mining enterprise.

The fair values of the assets and liabilities on the date of acquisition were:

	Koboldo Book value US\$'000	Fair Value adjustment US\$'000	Total US\$'000
Fixed assets			
Stocks	74	-	74
Debtors	487	-	487
Debtors	241	-	241
Cash	25	-	25
Creditors	(302)	-	(302)
Provision for deferred tax	(19)	-	(19)
Fair value of net assets acquired	506	-	506
Less: Minority interest			(42)
Negative goodwill arising on acquisition (Note 9)			(176)
			288

Consideration

Cash	288
	288

(c) Olga

In December 2004 the Company also acquired 100% of the share capital of a gold exploration and
 mining company, Olga. Olga has a gold exploration and mining licence and is located in the Amur
 region of Russia. The Company paid US\$500,000 for the whole share capital of Olga. Olga had not
 been consolidated in the 2004 Group accounts as it did not carry out any activity in 2004 and the
 balances were not material to the Group. Olga was consolidated in 2005 Group accounts with the
 effective date of 1 January 2005.

NOTES TO THE FINANCIAL STATEMENTS
CONTINUED

33. ACQUISITION OF SUBSIDIARY UNDERTAKINGS CONTINUED

The fair values of the assets and liabilities on the date of acquisition were:

	Olga US\$'000	Fair Value adjustment US\$'000	Total US\$'000
Intangible assets (Note 10)	–	500	500
Fair value of net assets acquired	–	500	500
Consideration			
Cash			500
			500

(d) Management Company PHM

In November 2004 the Company set up as a wholly owned Russian holding company Management Company PHM ("MC PHM"). MC PHM carries out management and mining activities of the Group in return for a fee while the other companies retain ownership of the licences. The total amount of cash the Company contributed was US\$862,000 of which US\$432,000 was still outstanding at the end of 2004 and subsequently paid in 2005. MC PHM had not been consolidated in the 2004 Group accounts as it did not have any activity in 2004 and the balances were not material to the Group. MC PHM was consolidated in 2005 Group accounts with the effective date of 1 January 2005.

(e) YamalZoloto

In December 2005 Yamal Holdings Ltd acquired 10% of YamalZoloto for the net consideration of US\$10,000.

(f) Pokrovskiy Rudnik

In December 2005 the Company acquired an additional 0.93% that was previously held by the Committee of Property Management of the Magdagachi District of the Amur Region of the Russian Federation. The stake was auctioned as part of a privatisation programme in December 2005. As a result of this the Group's stake in Pokrovskiy Rudnik has increased to 98.61%. The acquisition price was RUR17.2 million (c.US\$597,000).

34. EARNINGS PER ORDINARY SHARE

	2005 US\$'000	US\$
Profit for the year	13,255	15
Weighted average number of ordinary shares	76,618,392	69,615
Earnings per ordinary share	US\$0.17	US\$
Weighted average number of ordinary shares	76,618,392	69,615
C shares	–	2,759
Contingent shares	750,000	1,500
Weighted average number of diluted shares	77,368,392	73,874
Diluted earnings per share	US\$0.17	US\$

35. CURRENCY AND COMMODITY PRICE RISK

Although the Group is headquartered in the United Kingdom, sterling denominated monetary assets and liabilities at 31 December 2005 were not significant.

Because of the location of its operating activities in Russia, Pokrovskiy Rudnik and other Group Russian subsidiary and joint venture undertakings are necessarily involved in transactions denominated in Russian roubles and have Russian rouble denominated balances. The Group incurs operating costs in Russian roubles and the Group's borrowings at 31 December 2005 were largely denominated in US dollars.

The world market for gold is principally denominated in US dollars. Within Russia sales prices are with reference to the US dollar but settlements are made in Russian roubles.

Recent trends in the Russian rouble/US dollar exchange rate suggest that the Russian rouble is gaining value against the US dollar. If this trend continues and results in any significant and sustained appreciation of the Russian rouble against the US dollar the Group's revenue and profitability could be affected. The Company did not engage in hedging to minimise exchange rate risk, however it is considering implementing such arrangements in the future.

The Group does not hedge its exposure to gold price fluctuation risk. Gold is sold at London market spot rates.

FINANCIAL ASSETS AND LIABILITIES

Interest rate profile for the Group's borrowings was

	2005				2004			
	Fixed rate borrowing US\$'000	Interest free US\$'000	Total US\$'000	Fixed rate borrowing US\$'000	Interest free US\$'000	Total US\$'000	Fixed rate borrowing US\$'000	Interest free US\$'000
US dollar	145,472	–	145,472	8,650	–	8,650	226	249
US rouble	–	174	174	2,973	65	3,038	226	249
US dollar	243	–	243	895	–	895	226	249
US dollar	145,515	174	145,889	12,518	65	12,583	226	249

Weighted average interest rate on the Group's interest bearing borrowings for 2005 was:

US dollar	7.27%
US rouble	n/a
US dollar finance lease	15%

Interest rate profile for the Group's financial assets was:

	2005				2004			
	Fixed rate	Floating rate	Interest free	Total	Fixed rate	Floating rate	Interest free	Total
US dollar	123,198	1,045	776	125,019	–	17,996	1,269	19,265
Russian rouble	11,528	–	3,797	15,325	–	–	3,869	3,869
GBP	–	3,462	728	4,190	–	2,491	229	2,720
US dollar	–	–	–	–	5,441	–	–	5,441
US rouble	1,260	–	40	1,300	1,004	–	221	1,225
US dollar	135,986	4,507	5,341	145,834	6,445	20,487	5,588	32,520

Weighted average rate on the Group's interest bearing financial assets was 6.07% in 2005 (2004 – 4.15%)

The values of the Group's financial assets and liabilities are not materially different to the values.

37. COMMITMENTS UNDER OPERATING LEASES

At 31 December 2005 the Company had annual commitments under a non-cancellable operating lease of the office premises as set out below.

	Group		Company	
	2005 US\$'000	2004 US\$'000	2005 US\$'000	2004 US\$'000
Expiring:				
After 5 years	226	249	226	249
	226	249	226	249

During the year 2005 US\$174,000 (2004 – US\$210,000) of operating lease costs were charged under administrative expenses.

38. CAPITAL COMMITMENTS

Amounts contracted for but not provided for in the financial statements amounted to US\$3,000,000 for the Group (2004 – US\$3,751,000).

39. POST BALANCE SHEET EVENTS

On 18 April 2006 the International Finance Corporation ("IFC"), the private sector arm of the World Bank Group, invested a further US\$17.4 million by exercising to the full extent its option to subscribe for ordinary shares in the Company. As was announced on 5 April 2005, the IFC subscribed for 1,448,545 ordinary shares in the Company at that time and was granted the option to subsequently apply for up to a matching amount of additional new shares. On 28 April 2006 the IFC held 2,539,954 ordinary shares in the Company representing 3.15% of the total issued share capital of the Company.



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Press release of 28 April 2006

Holdings in Company

Peter Hambro Mining plc (the "Company") was notified by the International Finance Corporation, a member of the World Bank Group, that it holds 2,534,954 ordinary shares of £0.01 each in the Company representing 3.15 per cent of the total issued share capital of the Company.

Enquiries:

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Registered Office: 11 Grosvenor Place, Belgravia, London, SW1X 7HH

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Press Release of 16th May 2006

2005 ANNUAL REPORT & ACCOUNTS

NOTICE OF ANNUAL GENERAL MEETING

TERMINATION OF RESERVE BONUS SCHEME

PETER HAMBRO MINING PLC ("PHM" or the "Company") today released its Annual Report and Accounts for the financial year ended 31st December 2005. The Company's 2005 Annual Report which is being issued further to the preliminary announcement of the annual results reported on 24th April, details:

- PHM's operating assets and their performance during 2005;
- analysis and discussion of PHM's financial performance and status;
- breakdown of PHM's growth in gold reserves and resources together with a review of exploration work undertaken during 2005 and planned for the future; and
- PHM's annual Corporate and Social Responsibility Statement.

The Annual Report is now available online at www.peterhambro.com. Additional copies may be requested directly from the Company and will be available at the Company's registered office, 11 Grosvenor Place, London SW1X 7HH from Monday 22nd May 2006.

Printed copies of the Annual Report will be distributed to shareholders later this week together with the Notice of the Annual General Meeting and proxy form. The Annual General Meeting will be held at 12 noon on Tuesday 22nd June 2006 at 11 Grosvenor Place, London SW1X 7HH, and Notice of the Meeting will be available at the Company's registered office from Monday 22nd May 2006.

As previously announced, the Company has for some time now been considering the future of the Reserves Bonus Scheme (the "RBS" or the "Scheme") with the aim of terminating it. It was agreed to establish the RBS shortly before the initial public offering of PHM for the benefit of certain senior executives, the RBS being based on PHM's success in confirming estimated reserves at the Pioneer deposit. The independent Directors of PHM, being Sir Rudolph Agnew, Peter



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Hill-Wood and Philip Leatham, having taken professional advice have agreed that the sum of US\$15,000,000 in aggregate is fair compensation to the participants for agreeing that the RBS will not proceed. The independent directors also consider that this payment is less than the cost to PHM (as determined by reference to the estimated net present value of the ongoing payment obligations for the Company under the RBS) of implementing the Scheme in full. The Independent Directors consider, having consulted with the Company's nominated adviser, JPMorgan Cazenove, that the terms of the transaction are fair and reasonable insofar as the Company's shareholders are concerned.

As the participants of the RBS are senior executives of the Group and include a director of the Company's principal operating subsidiary, the making of the payment is subject to the approval of the Company's shareholders and will be voted on at the Company's Annual General Meeting. Peter Hambro and Pavel Maslovsky, who were eligible to participate in the Scheme, have given up their rights to do so and will not be receiving payment under the Scheme.

Enquiries:

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Press release of 23rd May 2006

DEALINGS IN SHARES

BY PERSON CONNECTED WITH COMPANY DIRECTOR

The Company has been informed by its Chairman, Mr. Peter Hambro, that his spouse has purchased 2,080 ordinary shares of 1p ("Shares") in the Company today at the price of £12.05 per share.

Please find below the number of Shares in the Company held pre and post this acquisition by Peter Hambro and his associates:

Pre-acquisition shareholding

Number of Shares	% of total issued share capital
5,241,099	6.52%

Post-acquisition shareholding

Number of Shares	% of total issued share capital
5,243,179	6.52%

Enquiries:

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about the contents of this document you should consult a person authorised under the Financial Services and Markets Act 2000 who specialises in advising in connection with shares and other securities.

If you have sold or otherwise transferred all of your shares in Peter Hambro Mining plc please send this document, together with the accompanying Form of Proxy, to the purchaser or transferee or to the stockbroker, bank, or other agent through whom the sale or transfer was effected, for transmission to the purchaser or transferee.

This document should be read in conjunction with the Annual Report and Accounts in respect of the year ended 31 December 2005.



PETER HAMBRO MINING PLC

(Incorporated in England and Wales with Registered No. 4343841)

Notice of Annual General Meeting to be held on 22 June 2006

RECEIVED
2006 MAY 30 P 1:40
OFFICE OF INTERNATIONAL
CORPORATE FINANCE

Notice of the Annual General Meeting to be held at 12 noon on Thursday 22 June 2006 at 11 Grosvenor Place, London SW1X 7HH is set out on pages 5-7.

The action to be taken by Shareholders is set out on page 4. Whether or not you plan to attend the Annual General Meeting you are requested to complete and submit a Form of Proxy in accordance with the instructions printed on the enclosed Form of Proxy. To be valid, the Form of Proxy must be completed and returned, in accordance with the instructions printed thereon, to the Company's registrars, Capita Registrars (Proxies), PO Box 25, Beckenham, Kent, BR3 4BR, as soon as possible but in any event so as to be received not less than 48 hours before the time appointed for the Annual General Meeting. Completion of a Form of Proxy will not preclude a member from attending and voting in person.

Directors:

Peter Hambro	(Executive Chairman)
Dr Pavel Maslovsky	(Deputy Chairman)
Jay Hambro	(Business Development Director)
Alexei Maslovsky	(Executive Director, Group Treasurer)
Andrey Maruta	(Deputy Finance Director)
Alfiya Samokhvalova	(Director of External Communications)
Philip Leatham	(Non-Executive Finance Director)
Sir Rudolph Agnew	(Non-Executive Director)
Peter Hill-Wood	(Non-Executive Director)

16 May 2006

Dear Shareholder

Annual General Meeting 2006

I am writing to inform you that the Annual General Meeting (the “AGM”) of Peter Hambro Mining plc (the “Company”) will be held at 12 noon on 22 June 2006 at 11 Grosvenor Place, London SW1X 7HH. The formal Notice of the AGM and resolutions to be proposed are set out on pages 5 to 7. The resolutions to be put to the Meeting will address the following matters:

ORDINARY BUSINESS

Annual Report and Accounts (Resolution 1)

Shareholders will be asked to receive and adopt the Annual Report and Accounts of the Company for the year ended 31 December 2005 together with the report of the auditors.

Re-appointment of Directors (Resolutions 2 to 5)

Alfiya Samokhvalova who was appointed by the Board during the year, retires in accordance with Article 86 of the Company’s Articles of Association and, being eligible, offers herself for re-election.

Peter Hill-Wood, Philip Leatham and Alexei Maslovsky retire in accordance with Article 91 of the Company’s Articles of Association and, being eligible, offer themselves for re-election.

Brief biographical details of each of the Directors standing for re-election appear on page 29 of the Annual Report and Accounts which are being posted to shareholders with this Notice of AGM.

Auditors (Resolution 6)

The Company is required at each general meeting at which accounts are presented to appoint auditors to hold office until the next such meeting. Moore Stephens LLP have indicated their willingness to continue in office. Accordingly, Resolution 6 re-appoints Moore Stephens LLP as auditors to the Company and authorises the Directors to fix their remuneration.

Authority to allot shares (Resolution 7)

Under the Companies Act 1985, the Directors are not permitted to issue new shares (or to grant rights over shares) unless authorised to do so by the shareholders. Resolution 7 authorises the Directors to allot ordinary shares in the Company (“Ordinary Shares”) up to a maximum aggregate nominal amount of £395,949. This represents the nominal value of the authorised share capital less the nominal value of the Ordinary Shares already in issue.

Partial disapplication of pre-emption rights (Resolution 8)

Under the Companies Act 1985, the Directors require authority from shareholders before allotting new shares (or rights in respect of shares) for cash without first offering them to existing shareholders in proportion to their existing holdings. The Company seeks in Resolution 8 shareholders’ authority to disapply this requirement, for the following purposes:

- (a) to enable rights issues, open offers or equivalent offers and the like to be implemented on a basis which enables the Directors to make arrangements to deal with (inter alia) fractional entitlements and overseas securities laws;
- (b) to enable the issue of shares pursuant to share option schemes adopted by the Company; and
- (c) in addition, to enable the issue of shares up to an aggregate nominal amount of £160,810, (this represents 20 per cent. of the current issued share capital of the Company).

Such authority, if given, will expire at the conclusion of the Annual General Meeting of the Company in 2007, or, if earlier, on the date falling 15 months after the date of the passing of Resolution 8. This extends to any subsequent sale of equity securities which have been held in treasury. The limits which apply to the allotment authority apply equally to any sales of treasury shares.

Authority to purchase shares (Resolution 9)

It is proposed that the Company retains the ability to purchase up to 10 per cent. of its issued share capital. The Company’s powers to purchase its own shares will be subject to the limitations set out in Resolution 9. It is the intention of the Directors only to exercise such authority if satisfied that to do so would be in the best interests of the Company. The Directors have no present intention to make any such purchase.

The Company would consider holding any of its own shares which it purchases pursuant to the authority conferred by Resolution 9 as treasury shares. No dividends will be paid on any shares held in treasury and no voting rights will attach to such shares. It will be possible for the Company to transfer shares out of treasury pursuant to an employee share scheme.

Approval of certain transactions between the Company and Aricom plc (Resolution 10)

The Peter Hambro Mining group (“the Group”) construction company, OOO “Kapstroj”, in line with its policy of performing external contracting works with currently available resources, has been and further intends to perform certain construction and other works for Aricom plc and/or its subsidiaries (“Aricom”). Furthermore, discussions are ongoing which may lead to the sale of non-gold Group portfolio assets to Aricom.

Both the Chairman and the Deputy Chairman of the Company are also Non-Executive Deputy Chairmen of Aricom plc, and both are shareholders in the Company as well as in Aricom plc. The Board have carefully considered whether the proposed arrangements between Group companies and Aricom group companies would require shareholder approval and, on the basis of professional advice, are of the view that such approval is not formally required in the current circumstances. Nevertheless, in line with the Company’s policy of full and transparent disclosure and shareholder participation, the Board is seeking approval from the Company’s shareholders by way of Resolution 10 for entry into any such transactions up to a threshold value of 10% of the net assets of the Group for any one transaction. The terms of any such transactions will be subject to the approval of independent Directors and their implementation will be subject to compliance with the AIM rules and with any requirements for any shareholder approvals if particular arrangements or changed circumstances require this.

Agreement has now been reached with those entitled to participate in the Scheme (the "Eligible Persons") for the Scheme not to proceed. Peter Hambro and Pavel Maslovsky, who were eligible to participate in the Scheme, have given up their rights to do so and will not be receiving payment under the Scheme as described below. The independent Directors, who comprise Sir Rudolph Agnew, Peter Hill-Wood and Philip Leatham (the "Independent Directors"), having taken professional advice, have agreed that the sum of US\$15,000,000 in aggregate (the "Scheme Payment") is fair compensation to the Eligible Persons for the Scheme not proceeding. The Independent Directors also consider that this payment is less than the cost to the Group (as determined by reference to the estimated net present value of the ongoing payment obligations for the Company under the Scheme) if the Scheme were to proceed. The Independent Directors consider, having consulted with the Company's nominated adviser, JPMorgan Cazenove, believe that the terms of the transaction are fair and reasonable insofar as the Company's shareholders are concerned. As the Eligible Persons are senior executives of the Group and include a director of the Company's principal operating subsidiary, the making of the Scheme Payment is subject to the approval of the Company's shareholders by way of this Resolution 11.

Action to be taken

You will find enclosed a Form of Proxy for use at the AGM. Please complete, sign and return the enclosed form as soon as possible in accordance with the instructions printed thereon, whether or not you intend to be present at the AGM. Forms of Proxy should be returned so as to be received by the Company's registrars, Capita Registrars (Proxies), PO Box 25, Beckenham, Kent, BR3 4BR, as soon as possible, but in any event no later than 12 noon on 20 June 2006. Completion and return of the Form of Proxy will not prevent you from attending in person and voting at the meeting should you subsequently decide to do so.

Recommendation

Your Directors consider that the proposals described in this letter are in the best interests of shareholders as a whole and unanimously recommend shareholders to vote in favour of the resolutions to be proposed at the AGM, as they intend to do (other than in respect of their own appointments as Directors and in respect of any Resolutions in which they have an interest) in respect of their beneficial holdings, amounting in aggregate to 23,914,421 Ordinary Shares, representing approximately 29.74 per cent. of the Company's issued Ordinary Shares, of which 0.03 per cent. is held by the Independent Directors.

Yours sincerely,



Peter Hambro
Chairman

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the 4th Annual General Meeting of the Company will be held at 12 noon on Tuesday 22 June 2006 at 11 Grosvenor Place, London SW1X 7HH (the "Notice") for the following purposes:

Ordinary Business:

- 1 To receive and adopt the report of the Directors and the audited accounts of the Company for the year ended 31 December 2005 together with the report of the auditors.
- 2 To re-elect Alfiya Samokhvalova, who was appointed during the year and retires in accordance with Article 86 of the Company's Articles of Association and who, being eligible, offers herself for re election as a Director.
- 3 To re-elect Peter Hill-Wood, who retires by rotation in accordance with Article 91 of the Company's Articles of Association and who, being eligible, offers himself for re election as a Director.
- 4 To re-elect Philip Leatham, who retires by rotation in accordance with Article 91 of the Company's Articles of Association and who, being eligible, offers himself for re election as a Director.
- 5 To re-elect Alexei Maslovsky, who retires by rotation in accordance with Article 91 of the Company's Articles of Association and who, being eligible, offers himself for re election as a Director.
- 6 To re-elect Moore Stephens LLP as auditors of the Company until the conclusion of the next general meeting at which accounts are laid before the Company and to authorise the Directors to fix their remuneration.

Special Business:

- 7 To consider and, if thought fit, to pass the following resolution as an Ordinary Resolution:

THAT, the Directors be and they are hereby generally and unconditionally authorised in accordance with section 80 of the Companies Act 1985 (the "Act") (and in substitution for any existing power to allot relevant securities) to exercise all the powers of the Company to allot relevant securities (within the meaning of the said section 80) up to an aggregate nominal amount of £395,949 during the period commencing on the date of the passing of this Resolution and expiring five years from the date of the passing of this Resolution, but so that this authority shall allow the Company to make before the expiry of this authority offers or agreements which would or might require relevant securities to be allotted after such expiry and notwithstanding such expiry the Directors may allot relevant securities in pursuance of such offers or agreements.

- 8 To consider and, if thought fit, to pass the following resolution as a Special Resolution:

THAT the Directors be and they are hereby empowered, pursuant to section 95 of the Act:

- (i) subject to the passing of Resolution 7 set out in the Notice, to allot equity securities (within the meaning of section 94 of the Act) for cash pursuant to the authority given in accordance with section 80 of the Act by the said Resolution 7; and

as if section 89(1) of the Act did not apply to any such allotment and/or transfer, provided that this power shall be limited to the allotment or transfer of equity securities:

- (a) in connection with or the subject of an offer or invitation, including a rights issue or open or equivalent offer, open for acceptance for a period fixed by the Directors, to holders of Ordinary Shares and such other equity securities of the Company as the Directors may determine on the register on a fixed record date in proportion (as nearly as may be) to their respective holdings of such securities or in accordance with the rights attached thereto, including equity securities which, in connection with such offer or invitation, are the subject of, or the arrangements for which provide for, such exclusions or other arrangements as the Directors may deem necessary or expedient to deal with fractional entitlements that would otherwise arise or with legal or practical problems under the laws of, or the requirements of any recognised regulatory body or any stock exchange in, any territory or otherwise;
- (b) pursuant to the terms of any share option scheme adopted by the Company (and any shares acquired or held by the Company in treasury may be transferred in satisfaction of the exercise of options under any of the Company's share option schemes); and
- (c) (otherwise than pursuant to sub-paragraphs (a) and (b) above) up to an aggregate nominal amount of £160,810

and shall expire at the conclusion of the Annual General Meeting of the Company in 2007, or, if earlier, on the date falling 15 months after the date of the passing of this Resolution except that the Company may before such expiry make offers or agreements which would or might require equity securities to be allotted after such expiry and notwithstanding such expiry the Directors may allot equity securities in pursuance of such offers or agreements and all authorities previously conferred under section 95 of the Act be and they are hereby revoked, provided that such revocation shall not have retrospective effect.

9 To consider and, if thought fit, to pass the following resolution as a Special Resolution:

THAT, in substitution for any existing power under section 166 of the Act, but without prejudice to the exercise of any such power prior to the date of the passing of this Resolution, the Company be and is hereby generally and unconditionally authorised, pursuant to and in accordance with section 166 of the Act, to make a market purchase or market purchases (within the meaning of section 163(3) of the Act) of its Ordinary Shares in such a manner and on such terms as the Directors may from time to time determine provided that:

- (a) the maximum aggregate number of Ordinary Shares hereby authorised to be so acquired is 8,040,505 or, if the Ordinary Shares have a nominal value other than £0.01 each, such number as has an aggregate nominal value equal to £80,405;
- (b) the minimum price which may be paid for each Ordinary Share is £0.01 per share;
- (c) the maximum price (exclusive of expenses) which may be paid for each Ordinary Share is not more than 5 per cent. above the average of the middle market quotations derived from the Daily Official List for the five business days immediately preceding the date of purchase of the shares;
- (d) the authority hereby conferred shall expire at the conclusion of the Annual General Meeting of the Company in 2007, or if earlier, on the date falling 15 months after the date of the passing of this Resolution, unless such authority is revoked, varied or renewed prior to such time; and
- (e) the Company may, prior to the expiry of the authority hereby conferred, enter into a contract or contracts to purchase Ordinary Shares under such authority which will or may be executed wholly or partly after such expiry, and may purchase Ordinary Shares pursuant to such contract.

THAT the entry into certain arrangements between the Group and Aricom (as defined in the circular to Shareholders dated 16 May 2006) up to the threshold value of 10% of the net assets of the Group for any one transaction be and is hereby approved.

11 To consider and, if thought fit, to pass the following resolution as an Ordinary Resolution:

THAT the payment of the Scheme Payment (as defined in the circular to Shareholders dated 16 May 2006) be and is hereby approved.

Dated 16 May 2006

Registered office:

11 Grosvenor Place
Belgravia
London SW1X 7HH

By Order of the Board



Anna-Karolina Subczynska-Samberger
Company Secretary

Notes:

- 1 A member entitled to attend and vote at the Meeting may appoint one or more proxies to attend and (on a poll) vote instead of him. A proxy need not be a member of the Company.
- 2 A Form of Proxy is provided with this Notice. Completion and return of such a proxy will not prevent a member from attending the Meeting and voting in person.
- 3 To be effective, the Form of Proxy and any power of attorney or other authority under which it is signed (or a notarially certified copy of such authority) must be deposited with the Company's registrars, Capita Registrars (Proxies), PO Box 25, Beckenham, Kent, BR3 4BR not less than 48 hours before the time of the holding of the Meeting or any adjournment thereof.
- 4 Pursuant to regulation 41(1) of the Uncertificated Securities Regulations 2001 (2001 No. 3755) the Company has specified that only those members registered on the register of members of the Company at 12 noon on 20 June 2006 shall be entitled to attend and vote at the Meeting in respect of the number of Shares registered in their name at that time. Changes to the register of members after 12 noon on 20 June 2006 shall be disregarded in determining the rights of any person to attend and vote at the Meeting.
- 5 The Register of Directors' interests in the shares of the Company and copies of the service agreements between the Company and its Directors will be available for inspection at the registered office of the Company during usual business hours on any weekday (Saturdays, Sundays and public holidays excluded) until the date of the Meeting and also on the date and at the place of the Meeting from 15 minutes prior to the commencement of the Meeting until the conclusion thereof.